

**CITY OF ESCALON**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2018**

# CITY OF ESCALON, CALIFORNIA

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## INDEPENDENT AUDITOR'S REPORT

To The City Council  
City of Escalon  
State Of California

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escalon, State of California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Escalon, State of California as of June 30, 2018, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10, the City of Escalon's Schedule of Proportionate Share of Net Pension Liability on pages 62 and 63, the City of Escalon's Schedule of Contributions on pages 64 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Escalon, State of California's basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Clendenin Bird & Company, PC*  
CLENDENIN BIRD & COMPANY, PC

Modesto, California  
November 20, 2018

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

This discussion and analysis of the City of Escalon's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. This report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standard Board (GASB). We encourage our readers to consider this information in conjunction with the information provided in the accompanying basic financial statements and notes thereto.

**FINANCIAL HIGHLIGHTS**

- The City's assets and deferred outflows of resources exceeds its liabilities and deferred inflows of resources at the close of the 2017-18 fiscal year by 57.4 million (*Net Position*). Of this amount \$6.6 million (*Unrestricted Net Position*) is designated to be used to meet ongoing obligations to citizens and creditors; \$5.7 million is restricted for capital projects, debt service and legally segregated taxes and fees; and \$45.1 million is invested in capital assets.
- As of June 30, 2018, the governmental funds reported combined Net Position of \$36.1 million, of which \$6.3 million is available to meet the City's current and future needs (*Restricted, Committed, Assigned, and Unassigned balances*).
- As of June 30, 2018 the fund balance for the General Fund was 4.3 million of which \$ .63 million is designated as *Non-Spendable* for items such as deposits, prepaid assets, loans and inter-fund advances. Assigned/Committed fund balance was \$3.1 million, designated for operating reserves, debt service, equipment replacement and Cal PERS reserve, and the unassigned balance is \$.13 million.
- Governmental capital assets decreased by (\$ .43) million in comparison to prior year assets representing depreciation of current assets greater than capital street improvements, equipment, and construction in progress. The decrease is reflected in the net investment in capital assets.
- The City's total long-term liabilities decreased slightly compared to the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of the following sections:

1. Independent Auditor's report.
2. Management's Discussion and Analysis,
3. The Basic Financial Statements, which include the Government-wide and the Fund Financial Statements, along with the Notes to these financial statements,
4. Required Supplemental Information,
5. Combining statements for Non-major Governmental Funds and Internal Service Funds,
6. Report on Internal Control Over Financial Reporting and Compliance with Laws And Regulations.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**THE BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and financial position.

***Government-wide Financial Statements.***

The Government-wide Financial Statements provide a longer-term view of the City's activities as a whole and are presented in a manner similar to a private-sector business. These statements are comprised of:

*Statement of Net Positions* - Presents information on all City assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between them reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

*Statement of Activities* - Presents information reflecting any change in the government's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs (regardless of the timing of related cash flows). Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation and compensated time leaves).

Both of the Government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other function that are intended to recover all or signification portion of their costs through user fees and charges (business-type activities).

- Governmental activities – All of the City's basic services are considered to be governmental activities, including general government, community development, library, public safety, public works, parks and recreation, and streets. These services are supported by general city revenues such as taxes, and by specific program revenues such as developer fees.
- Business-type activities – All of the City's enterprise activities are reported here, including sewer, water, storm and transit. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

***Fund Financial Statements.***

The Fund Financial Statements report the City's operations in more detail than the Government-wide Statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The governmental Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts. Enterprise Fund Financial Statements are prepared on the full accrual basis and include all their assets and liabilities, current and long-term. Each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

Subordinate schedules present the detail of these Non-major funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, fiduciary funds.

- *Governmental Funds* – These funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources and are therefore prepared on the modified accrual basis. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.
- *Proprietary Funds* – The City maintains two different types of proprietary funds; Enterprise Funds. Enterprise Funds are used to report the same functions presented as "business-type activities" in the Government-wide Financial Statements. Financial statements for proprietary funds are prepared on the full accrual basis and include all their assets and liabilities, current and long-term.
- *Fiduciary Funds* – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the Government-wide Financial Statements because the resources of those funds are not available to support the City's own programs. City of Escalon has no current Fiduciary Funds.

***Notes to the Financial Statements***

The Notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

***Required Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the financial activities of the City.

***Combining Statements***

This section of the report includes additional detailed information about non-major governmental, internal service and agency funds.



**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net position** - As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City, combined net position (government and business-type activities) totaled \$57.4 million at the close of the Fiscal Year Ended June 30, 2018. This is an increase of \$0.9 million from June 30, 2017.

The following table reflects the Summary of Net Position for the Fiscal Year Ended June 30, 2018 with comparative data for the Fiscal Year Ended June 30, 2017.

**City of Escalon  
Net Position as June 30, 2018  
(In Millions)**

	Governmental		Business-type		Total		Total
	Activities		Activities				% Chg.
	2017	2018	2017	2018	2017	2018	2018
Cash and Investments	8.3	9.2	5.8	6.8	14.1	16.0	13.45%
Other Assets	0.9	0.9	0.6	0.6	1.5	1.5	-4.21%
Capital Assets	33.2	32.8	16.1	16.1	49.3	48.8	-0.93%
<b>TOTAL ASSETS</b>	<b>42.4</b>	<b>42.9</b>	<b>22.5</b>	<b>23.4</b>	<b>64.9</b>	<b>66.3</b>	
Deferred Outflows Related to Pensions	0.78	2.00	0.27	0.66	1.05	2.66	153.71%
Long-term Liabilities outstanding	7.1	7.5	2.3	2.2	9.4	9.7	3.20%
Other Liabilities	0.6	0.6	0.3	0.3	0.9	0.9	-0.55%
<b>TOTAL LIABILITIES</b>	<b>7.7</b>	<b>8.1</b>	<b>2.6</b>	<b>2.5</b>	<b>10.3</b>	<b>10.6</b>	<b>2.65%</b>
Deferral Of Pension Expense	0.26	0.7	0.03	0.2	0.3	1.0	239.14%
<b>Net Position:</b>							
Invested in capital assets, net of Related debt	30.1	29.7	15.3	15.4	45.4	45.1	-0.69%
Restricted	5.2	5.7	0.0	0.0	5.2	5.7	9.83%
Unrestricted	-0.1	0.6	4.9	5.9	4.8	6.6	36.94%
<b>TOTAL NET ASSETS</b>	<b>35.2</b>	<b>36.1</b>	<b>20.2</b>	<b>21.3</b>	<b>55.4</b>	<b>57.4</b>	<b>46.08%</b>

Some columns may not total due to rounding

The City's Government-wide Net Position as of June 30, 2018, comprised the following:

- Cash and investments comprised of 16.0 million in the city treasury
- Government-Wide receivables were comprised of \$0.92 million of current receivables and \$533,214 of long-term receivables. Long-term receivables are related to a property loan and inter-fund loans.
- Net capital assets of \$48.8 million include the City's infrastructure in addition to all other City assets.
- Restricted Net Position, totaling \$5.7 million, Restricted Net Assets are those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.
- Unrestricted Net Position totals \$6.6 million and is designated to be used to finance day to day operations without constraints established by debt covenants or other legal

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

requirements or restrictions. While these assets are technically unrestricted, most of these assets are committed or assigned for a specific use.

The Change in Net Position as expressed, as the change in revenues and expenditures through June 30, 2018 is further reflected in the Statement of Activities.

**City of Escalon  
Statement of Activities  
Fiscal year ended June 30, 2018  
(In Millions)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
<b>Revenues</b>						
<i>Program Revenues</i>					-	-
Charges for services	\$ 0.80	\$ 0.77	\$ 4.64	\$ 4.28	5.44	5.05
Operating grants and contributions	0.14	0.16	0.23	0.14	0.37	0.30
Capital Grants and Contributions	0.46	0.85	-	-	0.46	0.85
<b>Total program revenues</b>	<b>1.40</b>	<b>1.78</b>	<b>4.87</b>	<b>4.42</b>	<b>6.27</b>	<b>6.20</b>
<b>General Revenues</b>						
<b>Taxes:</b>						
Property taxes	1.65	1.69			1.65	1.69
Sales taxes	1.01	1.13			1.01	1.13
Other taxes	0.45	0.49			0.45	0.49
Interest Income	0.08	0.11	0.02	0.05	0.10	0.16
Other Revenue	0.02	0.06	-	-	0.02	0.06
<b>Total General Revenues</b>	<b>3.21</b>	<b>3.48</b>	<b>0.02</b>	<b>0.05</b>	<b>3.23</b>	<b>3.53</b>
<b>Total Revenue</b>	<b>4.61</b>	<b>5.26</b>	<b>4.89</b>	<b>4.47</b>	<b>9.50</b>	<b>9.73</b>
<b>Expenses</b>						
General government	0.20	0.30			0.20	0.30
Public Safety	2.32	2.67			2.32	2.67
Public Works	0.93	1.02			0.93	1.02
Community Development	0.56	0.50			0.56	0.50
Culture and Leisure	0.65	0.69			0.65	0.69
Interest & Fiscal Charges	0.10	0.11			0.10	0.11
Water			0.94	1.04	0.94	1.04
Sewer			1.94	2.11	1.94	2.11
Storm			0.22	0.23	0.22	0.23
Transit			0.19	0.24	0.19	0.24
<b>Total Expenses</b>	<b>4.76</b>	<b>5.28</b>	<b>3.29</b>	<b>3.62</b>	<b>8.05</b>	<b>8.90</b>
Changes in net position before transfers	(0.15)	(0.03)	1.60	0.86	1.45	0.83
Transfers			-	-	-	-
<b>Change in net position</b>	<b>(0.15)</b>	<b>(0.03)</b>	<b>1.60</b>	<b>0.86</b>	<b>1.45</b>	<b>0.83</b>
<b>Net Position-Beginning</b>	<b>35.33</b>	<b>36.09</b>	<b>18.63</b>	<b>20.46</b>	<b>53.96</b>	<b>56.54</b>
Prior Period Adjustment	0.91	-	0.23	-	1.13	-
<b>Net Position, Beginning of Year as restated in 2017</b>		<b>36.09</b>		<b>20.46</b>	<b>-</b>	<b>56.54</b>
<b>Net Position, End of Year</b>	<b>\$ 36.09</b>	<b>\$ 36.06</b>	<b>\$ 20.46</b>	<b>\$ 21.31</b>	<b>\$ 56.54</b>	<b>\$ 57.37</b>

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

Revenues

Revenues for the City totaled \$9.73 million for the year ending June 30, 2018. Total governmental program revenues had an increase of \$0.38 million or 27% from the previous year. This is due to the increase in grant funding. Total business-type activities revenues experienced a decrease in revenues by \$0.45 million or 9.2% the decrease is primarily attributable decrease of revenues in the industrial sewer and transit grant monies.

Expenses

Expenses for the City totaled \$8.90 million for the year ending June 30, 2018. Governmental activities incurred \$5.29 million of expenses while business-type activities incurred \$3.62 million. Of the Governmental Activities, the largest expenses were in Public Safety (\$2.7 million) and Public Works (\$ 1.0 million).

**Governmental Activities**

The net cost of each of the City's largest programs associated with Governmental Activities is tabled below. These programs include general government, public safety, public works, community development, culture and leisure and interest and fiscal charges. Net cost is defined as total program cost less the revenues generated by those specific activities. For most governmental program expenses have been greater than the revenue generated to support them.

<b>Cost of Services by Program - Governmental Activities</b>			
<b>Fiscal Year Ended June 30, 2018</b>			
(in millions of dollars)			
		Net Revenue/(Expense)	
		From Services	
		2017	2018
<b>Program</b>			
General Government	\$	(0.05)	\$ (0.12)
Public Safety		(2.12)	(2.42)
Public Works		(0.34)	(0.15)
Community Development		(0.28)	(0.28)
Culture and Leisure		(0.46)	(0.43)
Interest and Fiscal Charges		(0.10)	(0.11)
<b>Total Net Revenue/(Expense)</b>	<b>\$</b>	<b>(3.36)</b>	<b>\$ (3.50)</b>

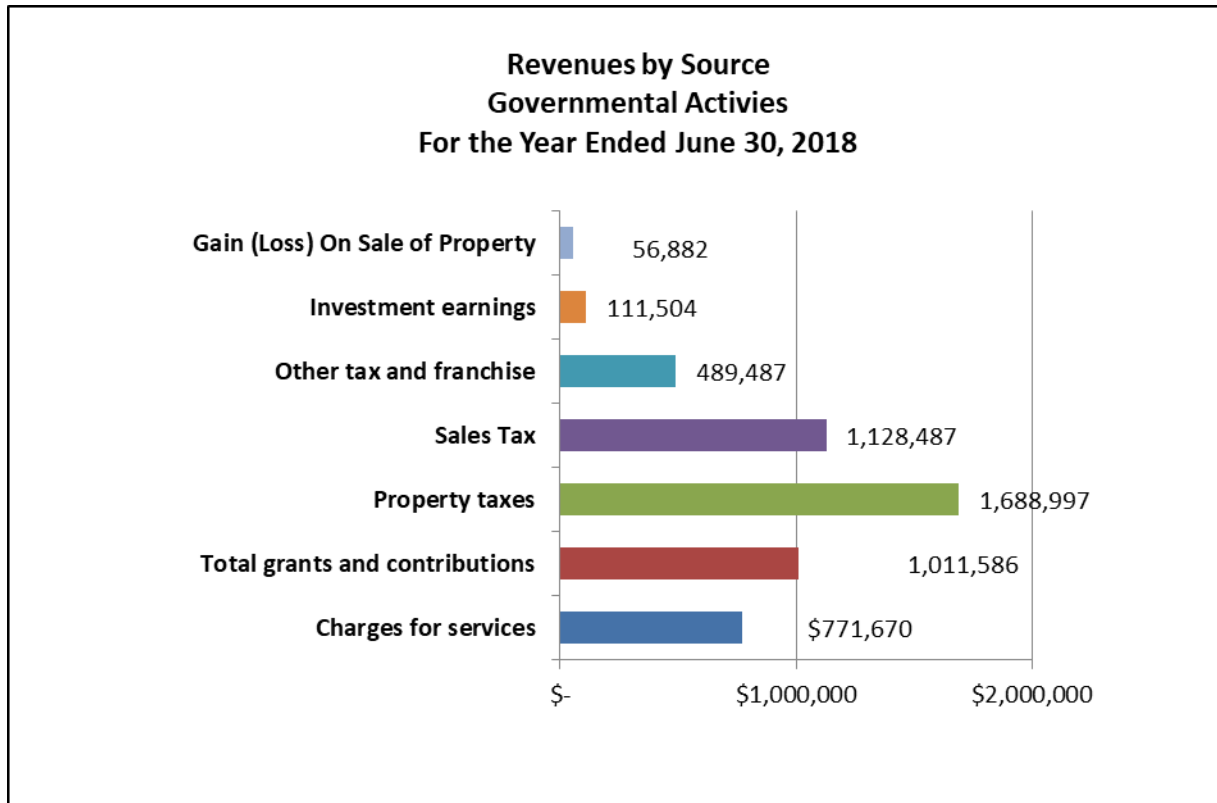
Net revenues/(expenses) for general activities decreased by \$.14 million. This decrease is primarily attributable to increase in capital outlay and public safety expenditures.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

Total governmental revenues for the year were \$4.6 million. The table below identifies the revenue sources.

City of Escalon		
Revenues by Source		
Governmental Activities		
For the Year Ended June 30, 2018		
Revenues Source	Revenue	% of Total
Charges for services	\$ 771,670	14.67%
Total grants and contributions	1,011,586	19.24%
Property taxes	1,688,997	32.12%
Sales Tax	1,128,487	21.46%
Other tax and franchise	489,487	9.31%
Investment earnings	111,504	2.12%
Gain (Loss) On Sale of Property	56,882	1.08%
Total	\$ 5,258,613	100.00%

The majority of revenues are from sales tax and property tax revenue for a total revenue of \$2,817,484 or 53.58% of the total revenues.

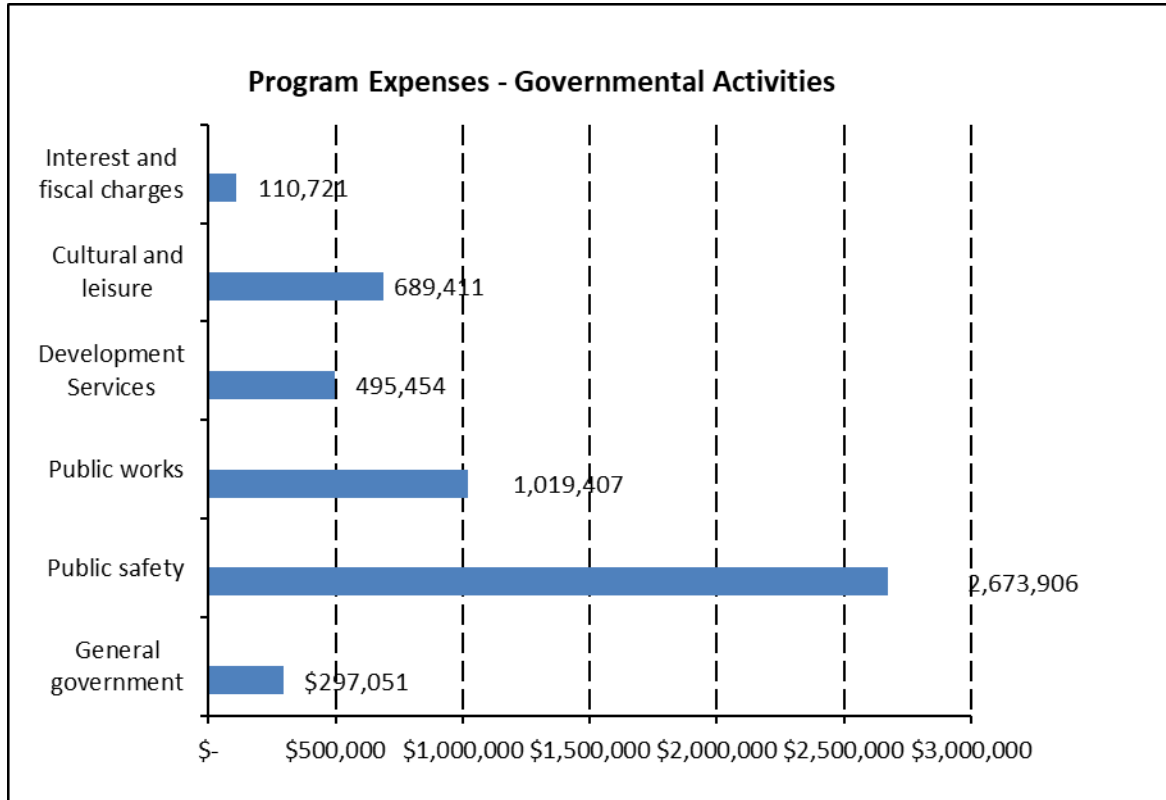


**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

Total governmental activity expenses for the year were \$5.3 million. The table below identifies each of the functions with the expenditures.

<b>City of Escalon</b>		
<b>Program Expenses</b>		
<b>Governmental Activities</b>		
<b>For the Year Ended June 30, 2018</b>		
<b>Functions/Programs</b>	<b>Expenses</b>	<b>% of Total</b>
General government	\$ 297,051	5.62%
Public safety	2,673,906	50.59%
Public works	1,019,407	19.29%
Development Services	495,454	9.37%
Cultural and leisure	689,411	13.04%
Interest and fiscal charges	110,721	2.09%
<b>Total</b>	<b>\$ 5,285,950</b>	<b>100.00%</b>

Public Safety accounts for \$2.7 million or 50.59% of the total governmental activities expenses. Expenses by function or program for governmental activities are shown in the graph below.



**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**Business-type Activities**

Revenues of the City's business-type activities exceeded expenditures by \$0.81 million. Business-type activities ended the year with Net Position of \$21.3 million, an increase of 4.2%.

<b>Changes in Business-Type Activities by Program</b>		
<b>Fiscal Year Ended June 30, 2018</b>		
<b>(in millions of dollars)</b>		
<b>Net Revenue (Expense from Business-type Activities)</b>	<b>2017</b>	<b>2018</b>
Water Services	\$ 0.36	\$ 0.28
Sewer -Industrial Services	0.69	0.10
Sewer -Domestic Services	0.50	0.55
Total Sewer	1.19	0.65
Storm Drain Services	(0.02)	(0.04)
Transit Services	0.05	(0.09)
<b>Total Business-type Activities</b>	<b>\$ 1.58</b>	<b>\$ 0.81</b>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spending resources. Such information is useful in assessing the City's financing requirements. The classification of spendable fund balances to committed, assigned, and unassigned, is intended to be helpful in measuring the resources available for spending at the end of the fiscal year. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2018, the City's governmental funds reported combined fund balances of \$9.6 million, which is an increase of \$ .90 million or 10.3% compared with the prior year. There are two funds with large increases the General Fund and Measure K Fund. The General Fund, accounts for \$3.9 million of the fund balance and experienced an increase of \$335,410 or 9.5%, which is cumulative of the sale of properties, and unanticipated increase in revenues. The Measure K fund experienced an increase of \$334,001 or 35%, which was due to an unanticipated revenues and a capital project expenditures delayed until fiscal year 2018-19. Governmental expenditures were \$4.5 million this year. Of this total, \$3.7 million were in the General Fund, \$0.33 million were in major funds and \$ 0.43 million were in non-major funds.

**General Fund**

General Fund revenues increased by \$ .52 million or 14.6% as compared to fiscal year end 2017. Sales tax increased 11.44% and Property taxes increased by 2.2 %. General Fund expenditures increased by \$ .31 million or 9.3 % over prior year expenditures of \$3.4 million. The increase of expenditures was spread over Public Safety, and Capital Outlay. Public Safety incurred an increase in salaries and benefits of 5.9% and an increase of 9.5% in supplies and services. These increases were within both the Police and Animal Control departments. Capital Outlay had a large increase due to the purchase of a street sweeper utilizing grant monies.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

At June 30, 2018, the General Fund balance was comprised of \$ 0.63 million in non-spensible balances, \$2.1 million of assigned balances and \$ 1.21 million in unassigned balances. Fund balances have been classified in accordance with GASB 54. While amounts have been categorized as unassigned, they may be informally earmarked by the City council for specific purposes.

**Proprietary Funds**

The City's Proprietary Funds provide the same type of information found in the Government-Wide Financial Statements, but in more detail. The City's Proprietary Funds are comprised of the Water Fund, the Sewer Fund, the Storm Drain Fund and the Transit Fund. Proprietary Fund net position totaled \$21.3 million at June 30, 2018. Proprietary operating revenues were \$4.36 million and operating expenses were \$3.6 million in fiscal year 2018.

***Water Fund***

The net position of the Water Fund is \$11.7 million. Approximately \$3.7 million of the Fund's net position was unrestricted at the fiscal year end with a net investment in capital assets of \$8.6 million.

Activities for the year were comprised of \$1.29 million in operating revenues for the current year and \$ 1.03 million in operating expenses. Charges for services showed an increase of 12.7%, which is a result of the schedule of rates adopted in 2015, and increase in consumption by users. Operating expenses increased by 11.3% from fiscal year 2017, with the largest increase in pension expense.

***Sewer***

The net position of the Sewer Fund is \$6.8 million for the current year. Operating revenues for fiscal year 2018 were \$2.7 million, a decrease of \$0.4 million from fiscal year 2017. The decrease in revenues are due to a change in industrial users discharges. Operating expenditures had an increase from fiscal year 2017 of 9%. Expenditure increases are primarily due to the recording of pension expense. A total of \$4.5 million of the fund's net position is invested in capital assets, with \$ 2.3 million unrestricted.

***Storm Drain***

The net position of the Storm Drain Fund is \$2.6 million for the current year. Operating revenues for fiscal year 2018 were \$.18 million. Operating expenditures had a slight increase from fiscal year 2017. A total of \$2.3 million of the fund's net position is invested in capital assets, with \$.34 million unrestricted.

***Transit Fund***

The net position of the Transit Fund is \$.18 million for the current year. Activities for the year were comprised of \$151,712 in operating revenues for the current year and \$238,264 in operating expenses. A total of \$ 0.06 million of the fund's net position is vested in capital assets, with \$0.12 million unrestricted.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**General Fund Budgetary Highlights.**

The final amended budget for the General Fund totaled \$3.7 million revenues and \$4.5 million in expenditures. At the end of the year, the total actual revenues of \$4,097,898 exceeding the final amended budget by \$418,550. The General Fund expenditures of \$3,722,642 are \$745,348 under the final budgeted expenditures of \$4,467,990. All departments' expenditures came in less than budgeted.

**CAPITAL AND DEBT ADMINISTRATION**

**Capital Assets** As of June 30, 2018, the City had 49.3 million, net of depreciation, invested in a broad range of capital assets including land, construction in progress, building, equipment and infrastructure. The City's Governmental Funds had \$33.2 million and the Business-type activities had \$16.1 million invested in capital assets.

**Capital Assets  
As of June 30, 2018  
(In millions)**

	Governmental		Business-type		Total		Total
	Activities		Activities				% Chg
	2017	2018	2017	2018	2017	2018	2018
<b>Land</b>	10.0	9.9	4.5	4.8	14.5	14.7	1.27%
<b>Infrastructure</b>	21.6	21.8	16.3	16.6	37.9	38.4	1.38%
<b>Construction in Progress</b>	0.1	0.1	0.02	0.12	0.1	0.2	110.92%
<b>Buildings and Improvements</b>	12.7	12.8	1.4	1.4	14.1	14.2	0.90%
<b>Equipment</b>	2.0	2.4	1.9	2.1	3.9	4.5	15.98%
<b>Accumulated Depreciation</b>	-13.2	-14.3	-7.9	-8.9	-21.1	-23.2	9.81%
<b>TOTAL CAPITAL ASSETS</b>	<b>33.2</b>	<b>32.8</b>	<b>16.1</b>	<b>16.1</b>	<b>49.3</b>	<b>48.8</b>	<b>-0.99%</b>

Major capital asset changes during fiscal year 2018 include:

- *Completion of Miller Road reconstruction with sidewalks/tree well improvements*
- *2017 Ford Explorer with Equipment Unit 1722*
- *Police Drone – DJI Inspire 1 V2.0*
- *3 – 2013 Dodge Chargers Police Vehicles w/ equipment*
- *2018 Tymco 600 Regenerative Air Street Sweeper*
- *Library Roof rehabilitation*
- *Purchase of Sewer Lift Station Land*
- *Multiple new Aquajet Aerators for the wastewater treatment plant*
- *Jetter Trailer Sewer Cleaning Equipment*



**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**Long-term Debt**

Each of the City's debt issues is discussed in detail in Note III G in the Notes to the Basic Financial Statements. At year end, the City's governmental activities had \$3,064,437 in long-term debt and \$163,942 in compensated absences. The City did not issue any new debt during the year. Business-type activities, at year end, had \$677,545 in outstanding long-term debt and \$39,507 in compensated absences.

**Long-Term Debt  
June 30, 2018**

(In millions)

	Governmental		Business-type		Total		Total
	Activities		Activities				% Chg
	2017	2018	2017	2018	2017	2018	2018
Refunding Lease	0.00	0.00	0.00	0.00	0.00	0.00	0.00%
Notes Payable	3.15	3.06	0.23	0.16	3.38	3.22	-4.74%
Net Pension Liability	3.97	4.43	1.07	1.22	5.04	5.65	12.09%
Revenue Bonds	0.00	0.00	0.55	0.52	0.55	0.52	-4.59%
Compensated Absences	0.18	0.16	0.03	0.04	0.21	0.20	-2.64%
<b>TOTAL</b>	<b>7.30</b>	<b>7.66</b>	<b>1.87</b>	<b>1.93</b>	<b>9.17</b>	<b>9.59</b>	<b>4.56%</b>

Some columns may not total due to rounding

The City's long-term liabilities, except for compensated absences and pension liability, relate to the acquisition and construction/remodel of capital assets. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Inter-fund Loans:** In order to meet expenses relating to general activities of a fund a City may enter into an inter-fund loan agreement supplying financial assistance. Below is a listing of outstanding inter-fund loans including the initial date, maturity date, interest and payments with the current outstanding balance.

**General Fund inter-fund loan to Library Development Fund**

This loan is a result of payments made on the financing payments for the library building between 2006 and 2011. In Fiscal Year-2018, the Library roof had a major rehabilitation funded through the General Fund for \$49,769. As developer fees are contributed into the Library Developer Fund repayments are made to General Fund

<b>General Fund Loan to Library DIF Fund</b>				
<b>Initial Date: July 2011</b>		<b>Maturity Date: July 2026</b>		
<b>Date</b>	<b>Loan</b>	<b>Interest</b>	<b>Payment</b>	<b>Balance</b>
07/01/2011	\$ 175,428			\$ 175,428
06/30/2013			\$ (1,645)	\$ 173,783
06/30/2014			\$ (11,569)	\$ 162,213
06/30/2015				\$ 162,213
06/30/2016				\$ 162,213
06/30/2017				\$ 162,213
06/30/2018				\$ 162,213

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

***General Fund inter-fund loan to Industrial Sewer Operating Fund***

The General Fund entered into a loan agreement with the Industrial Sewer Operating fund to assist with expenses. The repayment of the loan has been included into the current rates.

<b>General Fund Funds to Industrial Sewer Operating Fund</b>				
<b>Initial Date: June 2015</b>		<b>Maturity Date: June 2021</b>		
<b>Date</b>	<b>Loan</b>	<b>Interest</b>	<b>Payment</b>	<b>Balance</b>
06/30/2015	\$ 500,000			\$ 500,000
06/30/2016		\$ 2,160		\$ 502,160
06/30/2017		\$ 3,760	\$ (95,000)	\$ 410,920
06/30/2018		\$ 5,654	\$ (104,000)	\$ 312,574

The total due to the General Fund is \$474,787 for the outstanding inter-fund loans.

***Transportation Impact Fund inter-fund loan to City Hall Impact Fund***

Government Code Section 66006(b)(1)(G), part of the Mitigation Fee Act, contemplates that cities may make transfers or loans between development impact fee accounts as needed. The Transportation Impact Fund provided an inter-fund loan to the City Hall Impact fund. There were two separate loans, with the initial loan in 2011 for the City Hall Tenant Improvement project. The second loan assisted with the pay down of the Civic Center Loan in 2013.

<b>Transportation Impact Fund to City Hall Impact Fund</b>				
<b>Initial Date: October 2011</b>		<b>Maturity Date: June 2031</b>		
<b>Initial Date: June 2013</b>		<b>Maturity Date: June 2033</b>		
<b>Date</b>	<b>Loan</b>	<b>Interest</b>	<b>Payment</b>	<b>Balance</b>
11/01/2011	\$ 1,300,000			\$ 1,300,000
06/30/2013		\$ 3,991		\$ 1,303,991
01/31/2014	\$ 450,000			\$ 1,753,991
06/30/2014		\$ 4,358		\$ 1,758,349
06/30/2015		\$ 4,708	\$ (49,942)	\$ 1,713,114
06/30/2016		\$ 7,399	\$ (2,151)	\$ 1,718,362
06/30/2017		\$ 12,921	\$ (1,321)	\$ 1,729,961
06/30/2018		\$ 17,943		\$ 1,747,904

***Public Works Impact Fund inter-fund loan to City Hall Impact Fund***

Government Code Section 66006(b)(1)(G), part of the Mitigation Fee Act, contemplates that cities may make transfers or loans between development impact fee accounts as needed. The Public Works Impact Fund provided an inter-fund loan to the City Hall Impact fund. The loan assisted with the pay down of the Civic Center loan in 2013.

<b>Public Works Impact Fund to City Hall Impact Fund</b>				
<b>Initial Date: June 2013</b>		<b>Maturity Date: June 2033</b>		
<b>Date</b>	<b>Loan</b>	<b>Interest</b>	<b>Payment</b>	<b>Balance</b>
01/31/2014	\$ 300,000	\$ 747		\$ 300,747
06/30/2015		\$ 807	\$ (8,562)	\$ 292,992
06/30/2016		\$ 1,265	\$ (368)	\$ 293,890
06/30/2017		\$ 2,210	\$ (226)	\$ 295,874
06/30/2018		\$ 4,044		\$ 299,918

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

***In Lieu Low Income Housing Fund inter-fund loan to City Hall Impact Fund***

Government Code Section 66006(b)(1)(G), part of the Mitigation Fee Act, contemplates that cities may make transfers or loans between development impact fee accounts as needed. The In Lieu Low Income Housing Fund provided an inter-fund loan to the City Hall Impact fund. The loan assisted with the pay down of the Civic Center loan in 2013.

<b><i>In Lieu Low Income Funds to City Hall Fund</i></b>				
<b><i>Initial Date: June 2013</i></b>		<b><i>Maturity Date: June 2033</i></b>		
<b>Date</b>	<b>Loan</b>	<b>Interest</b>	<b>Payment</b>	<b>Balance</b>
01/31/2014	\$ 800,000			\$ 800,000
06/30/2014		\$ 1,992		\$ 801,992
06/30/2015		\$ 2,152	\$ (22,831)	\$ 781,313
06/30/2016		\$ 3,375	\$ (981)	\$ 783,707
06/30/2017		\$ 5,893	\$ (603)	\$ 788,997
06/30/2018		\$ 10,784		\$ 799,781

The City Hall Impact Fund has a total of \$2,847,603 in outstanding inter-fund loan balance.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

In preparing the budget for 2018-2019, City management looked at the following factors:

**REVENUE**

- An increase of 3.0% in Property Tax revenues from FY 17-18 mid-year adopted budget.
- An increase of 3.5% in Sales Tax revenues from FY 17-18 mid-year adopted budget.
- General Fund revenues remain stable and revenues have been budgeted for 18-19 with some small increases.

**EXPENDITURES**

- Increase for Public Employee Retirement System (PERS) costs.
- Increase for Housing Element Review/Update \$75,000
- Increase for Election Year, \$15,000
- Increases for employee negotiated salary increases.
- Increase Personnel Rules and Policy update, \$18,000
- Continuation of a conservative approach when apply administrative charges to the Capital Improvement Projects.

For fiscal year 2018-2019, the City's general fund operating revenues and expenditures are projected to remain stable with minimal increases. Total operational budgeted revenues and expenses for the fiscal year are budgeted at \$3.67 million and \$3.73 million, respectively. The budget provides the organization with the direction and tools necessary to maintain a consistent level of City Services and continue the internal transformation to take advantage of our strengths and improve our weaknesses. The City must continually strive to provide basic services to its citizens while under financial constraints.

**CITY OF ESCALON  
MANAGEMENTS' DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018**

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Escalon's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Director, City of Escalon, 2060 McHenry Ave., Escalon, California 95320.

**CITY OF ESCALON**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2018**

**WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	Primary Government		RESTATED	
	Governmental Activities	Proprietary Activities	Totals 2018	Totals 2017
<b>ASSETS</b>				
Cash And Investments	9,166,268	6,797,387	15,963,655	14,157,383
Accounts Receivable	385,884	537,428	923,312	905,286
Loans Receivable	143,000	0	143,000	88,219
Bond Issue Cost	36,381	32,017	68,398	76,747
Sewer Fund Loan	312,574	0	312,574	410,919
Prepaid Expenses	9,242	0	9,242	4,500
Capital Assets (Net Of Accumulated Depreciation):				
Land	9,927,214	4,757,505	14,684,719	14,798,747
Construction In Progress	132,154	116,992	249,146	105,643
Buildings And Improvements	9,484,882	783,731	10,268,613	10,490,246
Equipment And Vehicles	711,801	608,855	1,320,656	1,122,091
Infrastructure	12,531,508	9,789,073	22,320,581	22,799,809
Total Assets	<u>42,840,908</u>	<u>23,422,988</u>	<u>66,263,896</u>	<u>64,959,590</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Current Pension Plan Contribution	<u>2,039,490</u>	<u>664,094</u>	<u>2,703,584</u>	<u>3,462,896</u>
<b>LIABILITIES</b>				
Accounts Payable And Other	285,953	225,700	511,653	520,570
Current Liabilities	131,549	58,795	190,344	200,876
Compensated Absences	163,942	39,507	203,449	208,967
Net Pension Liability	4,429,793	1,216,942	5,646,735	5,037,885
Long-Term Liabilities:				
Due Within One Year	88,179	102,159	190,338	185,063
Due In More Than One Year	2,976,258	887,960	3,864,218	4,152,723
Total Liabilities	<u>8,075,674</u>	<u>2,531,063</u>	<u>10,606,737</u>	<u>10,306,084</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferral Of Pension Expense	<u>742,582</u>	<u>241,552</u>	<u>984,134</u>	<u>1,575,831</u>
<b>NET POSITION</b>				
Invested In Capital Assets				
Net Of Related Debt	29,723,122	15,368,258	45,091,380	45,379,669
Restricted For:				
Capital Projects	7,442,027	0	7,442,027	6,967,487
Community Development Projects	( 1,730,882)	0	( 1,730,882)	( 1,780,980)
Debt Service	0	0	0	0
Unrestricted	627,875	5,946,209	6,574,084	5,974,395
Total Net Position	<u>36,062,142</u>	<u>21,314,467</u>	<u>57,376,609</u>	<u>56,540,571</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

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<b>Functions/Programs</b>	<b>Expenses</b>
<b>Primary Government:</b>	
<b>Governmental Activities:</b>	
General Government	297,051
Public Safety	2,673,906
Public Works	1,019,407
Community Development	495,454
Culture And Leisure	689,411
Interest on Long-Term Debt	<u>110,721</u>
Total Governmental Activities	<u>5,285,950</u>
<b>Business-Type Activities</b>	
Water Services	1,038,031
Sewer Services	2,105,107
Storm Drain Services	233,898
Transit Services	<u>238,264</u>
Total Business-Type Activities	<u>3,615,300</u>
Total Primary Government	<u><u>8,901,250</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Program Revenues			Net (Expense) Revenue And Changes In Net Assets			
Fines, Fees And Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Government		RESTATED	
			Governmental Activities	Proprietary Activities	Total 2018	Total 2017
180,383	0	0	( 116,668)	0	( 116,668)	( 53,551)
88,955	161,724	0	( 2,423,227)	0	( 2,423,227)	( 2,118,461)
24,103	0	849,862	( 145,442)	0	( 145,442)	( 339,830)
214,091	0	0	( 281,363)	0	( 281,363)	( 282,630)
264,138	0	0	( 425,273)	0	( 425,273)	( 460,116)
0	0	0	( 110,721)	0	( 110,721)	( 100,912)
<u>771,670</u>	<u>161,724</u>	<u>849,862</u>	<u>( 3,502,694)</u>	<u>0</u>	<u>( 3,502,694)</u>	<u>( 3,355,500)</u>
1,318,260	0	0	0	280,229	280,229	361,349
2,759,994	0	0	0	654,887	654,887	1,186,788
193,151	0	0	0	( 40,747)	( 40,747)	( 16,435)
7,748	143,964	0	0	( 86,552)	( 86,552)	49,047
<u>4,279,153</u>	<u>143,964</u>	<u>0</u>	<u>0</u>	<u>807,817</u>	<u>807,817</u>	<u>1,580,749</u>
<u>5,050,823</u>	<u>305,688</u>	<u>849,862</u>	<u>( 3,502,694)</u>	<u>807,817</u>	<u>( 2,694,877)</u>	<u>( 1,774,751)</u>
<b>General Revenues:</b>						
Taxes:						
Property Tax			1,688,997	0	1,688,997	1,652,431
Sales Tax			1,128,487	0	1,128,487	1,012,646
Motor Vehicle Tax			3,793	0	3,793	3,195
Franchise Tax			263,782	0	263,782	259,120
Other Taxes			225,705	0	225,705	187,501
Investment Earnings			111,504	51,766	163,270	97,935
Gain (Loss) On Sale Of Property			56,882	0	56,882	23,830
Transfers			0	0	0	0
Total General Revenues And Transfers			<u>3,479,150</u>	<u>51,766</u>	<u>3,530,916</u>	<u>3,236,658</u>
Change In Net Position			( 23,544)	859,583	836,039	1,461,907
Net Postion - Beginning			35,179,995	20,230,224	55,410,219	53,948,312
Prior Period Adjustment			905,691	224,660	1,130,351	1,130,351
Net Postion - Beginning Adjusted			<u>36,085,686</u>	<u>20,454,884</u>	<u>56,540,570</u>	<u>55,078,663</u>
Net Postion - Ending			<u>36,062,142</u>	<u>21,314,467</u>	<u>57,376,609</u>	<u>56,540,570</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<u>General</u>	<u>Measure K</u>	<u>Transportation Mitigation Fund</u>
<b>Assets</b>			
Cash And Investments	3,389,661	1,211,587	1,353,437
Accounts Receivable	248,579	78,478	4,015
Loans Receivable	143,000	0	0
Due From Other Funds	162,213	0	1,747,904
Sewer Fund Loan	312,574	0	0
Prepaid Expenses	9,242	0	0
Total Assets	<u>4,265,269</u>	<u>1,290,065</u>	<u>3,105,356</u>
<b>Liabilities</b>			
Accounts Payable	245,399	3,650	0
Compensated Absences	0	0	0
Due To Other Funds	0	0	0
Loans Payable	0	0	0
Other Liabilities	131,549	0	0
Total Liabilities	<u>376,948</u>	<u>3,650</u>	<u>0</u>
<b>Fund Balances</b>			
Nonspendable	627,029	0	0
Restricted	0	1,286,415	3,105,356
Committed	2,144,901	0	0
Assigned	983,301	0	0
Unassigned	133,090	0	0
Total Fund Balances	<u>3,888,321</u>	<u>1,286,415</u>	<u>3,105,356</u>
Total Liabilities And Fund Balances	<u>4,265,269</u>	<u>1,290,065</u>	<u>3,105,356</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS



Transportation Fund	City Hall Fees Fund	Other Funds	Total Governmental Funds		
			2018	2017	
1,578,625 (	5,689)	1,638,647	9,166,268	8,309,902	
38,921	0	15,891	385,884	325,908	
0	0	0	143,000	88,219	
0	0	4,164,137	6,074,254	6,127,309	
0	0	0	312,574	410,919	
0	0	0	9,242	4,500	
<u>1,617,546</u> (	<u>5,689)</u>	<u>5,818,675</u>	<u>16,091,222</u>	<u>15,266,757</u>	
2,250	0	34,654	285,953	288,641	
0	0	0	0	0	
0	2,847,603	162,213	3,009,816	2,977,045	
0	0	3,064,437	3,064,437	3,150,264	
0	0	0	131,549	149,054	
<u>2,250</u>	<u>2,847,603</u>	<u>3,261,304</u>	<u>6,491,755</u>	<u>6,565,004</u>	
0	0	0	627,029	415,419	
1,615,296	0	2,071,796	8,078,863	7,619,238	
0	0	479,511	2,624,412	1,631,613	
0	0	168,214	1,151,515	964,622	
0 (	2,853,292)	(	2,882,352)	(	1,929,139)
<u>1,615,296</u> (	<u>2,853,292)</u>	<u>2,557,371</u>	<u>9,599,467</u>	<u>8,701,753</u>	
<u>1,617,546</u> (	<u>5,689)</u>	<u>5,818,675</u>	<u>16,091,222</u>	<u>15,266,757</u>	

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

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Total fund balances - governmental funds 9,599,467

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	9,927,214	
Construction In Progress	132,154	
Infrastrutture net of \$9,298,373 accumulated depreciation	12,531,508	
Buildings and Improvements, net of \$3,334,721 accumulated depreciation	9,484,882	
Equipment and Vehicles, net of \$1,676,211 accumulated depreciation	711,801	
Total capital assets		32,787,559

Deferred Outflow of Resources 2,039,490

Long-term liabilities applicable to the City's governmental activities are due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Notes payable	( 3,064,438)	
Compensated absences	( 163,942)	
Net Pension Liability	( 4,429,793)	
Deferred Inflows of Resources	( 742,582)	
Total long-term liabilities		( 8,400,755)

Deferred Bond issuance cost are not current assets or financial resources and, therefore, are not reported in the Governmental Fund Balance Sheet 36,381

Total net position - governmental activities 36,062,142

**CITY OF ESCALON  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<u>General</u>	<u>Measure K</u>	<u>Transportation Mitigation Fund</u>
<b>Revenues</b>			
Property Tax	1,688,997	0	0
Sales Tax	1,128,487	0	0
Other Tax And Franchises	312,032	0	0
Licenses And Permits	141,602	0	0
Fines And Forfeitures	19,905	0	0
Investment Earnings	30,675	13,000	28,541
Intergovernmental	229,302	319,624	0
Impact Fees	0	0	4,516
Service Charges And Miscellaneous	546,898	0	0
Total Revenues	<u>4,097,898</u>	<u>332,624</u>	<u>33,057</u>
<b>Expenditures</b>			
Current			
General Government	50,395	0	0
Public Safety	2,273,598	0	0
Public Works	214,740	17,958	0
Community Development	352,976	0	0
Culture And Leisure	508,552	0	0
Debt Service			
Principal	0	0	0
Interest & Other Charges	0	0	0
Capital Outlay	322,381	58,696	0
Total Expenditures	<u>3,722,642</u>	<u>76,654</u>	<u>0</u>
Excess (Deficiency) Of Revenues			
Over Expenditures	<u>375,256</u>	<u>255,970</u>	<u>33,057</u>
<b>Other Financing Sources (Uses)</b>			
Sale Of Property	0	0	0
Operating Transfers In	211,000	74,381	0
Operating Transfers Out	( 213,181)	0	0
Total Other Financing Sources (Uses)	<u>( 2,181)</u>	<u>74,381</u>	<u>0</u>
Net Change In Fund Balances	373,075	330,351	33,057
Fund Balance - Beginning	<u>3,515,246</u>	<u>956,064</u>	<u>3,072,299</u>
Fund Balance- Ending	<u><u>3,888,321</u></u>	<u><u>1,286,415</u></u>	<u><u>3,105,356</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Transportation Fund	City Hall Fees Fund	Other Funds	Total Governmental Funds	
			2018	2017
0	0	0	1,688,997	1,652,431
0	0	0	1,128,487	1,012,646
0	0	0	312,032	309,887
0	0	0	141,602	175,841
0	0	0	19,905	16,053
11,378	7	27,903	111,504	76,048
227,666	0	435,891	1,212,483	743,919
0	3,664	83,318	91,498	161,740
0	0	123,028	669,926	465,755
<u>239,044</u>	<u>3,671</u>	<u>670,140</u>	<u>5,376,434</u>	<u>4,614,320</u>
0	0	0	50,395	14,460
0	0	42,552	2,316,150	2,160,821
0	0	0	232,698	242,205
0	0	76,026	429,002	535,212
0	0	12,108	520,660	500,536
0	0	85,826	85,826	83,884
0	32,771	77,950	110,721	100,912
211,396	9,384	131,411	733,268	561,821
<u>211,396</u>	<u>42,155</u>	<u>425,873</u>	<u>4,478,720</u>	<u>4,199,851</u>
<u>27,648</u>	<u>( 38,484)</u>	<u>244,267</u>	<u>897,714</u>	<u>414,469</u>
0	0	0	0	0
0	0	213,181	498,562	353,206
0	0	( 285,381)	( 498,562)	( 353,206)
0	0	( 72,200)	0	0
27,648	( 38,484)	172,067	897,714	414,469
1,587,648	( 2,814,808)	2,385,304	8,701,753	8,287,284
<u>1,615,296</u>	<u>( 2,853,292)</u>	<u>2,557,371</u>	<u>9,599,467</u>	<u>8,701,753</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

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Net change in fund balances - total governmental funds 897,714

The changes in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$1,052,335) exceeded capital outlays (\$733,268) in the current period. ( 319,067)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and contributions) is to increase (decrease) net position. ( 114,026)

Repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions do not have any affect on net assets. 85,826

Bond Issuance Cost Expense ( 3,832)

The recording of accrued compensated absences does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds. The liability is included in the statement of activities. 14,995

The net change in pension expense either contributed to pension plan in current fiscal year not included on statement of activities; or expenses reported in statement of activities that do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. ( 585,154)

Changes in net position of governmental activities ( 23,544)

**CITY OF ESCALON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>2018</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2017 Actual</b>
	<b>Budgeted Amounts</b>				
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Property Tax	1,682,522	1,684,922	1,688,997	4,075	1,652,431
Sales Tax	924,100	924,100	1,128,487	204,387	1,012,646
Other Tax And Franchise Fees	310,325	302,300	312,032	9,732	309,887
Licenses And Permits	148,950	157,450	141,602	( 15,848)	175,841
Intergovernmental	5,000	226,828	229,302	2,474	26,411
Fines And Forfeitures	17,100	17,100	19,905	2,805	16,053
Investment Earnings	7,800	16,211	30,675	14,464	29,497
Service Charges And Miscellaneous	336,182	350,437	546,898	196,461	351,856
<b>Total Revenues</b>	<b><u>3,431,979</u></b>	<b><u>3,679,348</u></b>	<b><u>4,097,898</u></b>	<b><u>418,550</u></b>	<b><u>3,574,622</u></b>
<b>EXPENDITURES</b>					
General Government	0	115,094	50,395	( 64,699)	14,460
Public Safety	2,394,680	2,459,868	2,273,598	( 186,270)	2,131,408
Public Works	307,586	296,965	214,740	( 82,225)	242,205
Community Development	509,321	516,469	352,976	( 163,493)	462,897
Culture And Leisure	589,321	591,325	508,552	( 82,773)	486,983
Capital Outlay	262,125	488,269	322,381	( 165,888)	67,510
<b>Total Expenditures</b>	<b><u>4,063,033</u></b>	<b><u>4,467,990</u></b>	<b><u>3,722,642</u></b>	<b><u>( 745,348)</u></b>	<b><u>3,405,463</u></b>
Excess (Deficiency) Of Revenues Over Expenditures	( 631,054)	( 788,642)	375,256	1,163,898	169,159
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	470,000	465,000	211,000	( 254,000)	166,263
Transfers Out	( 255,777)	( 220,777)	( 213,181)	7,596	( 165,193)
<b>Total Other Financing Sources And (Uses)</b>	<b><u>214,223</u></b>	<b><u>244,223</u></b>	<b><u>( 2,181)</u></b>	<b><u>( 246,404)</u></b>	<b><u>1,070</u></b>
Net Change In Fund Balance	( 416,831)	( 544,419)	373,075	917,494	170,229
Fund Balance - Beginning	<u>3,515,246</u>	<u>3,515,246</u>	<u>3,515,246</u>	<u>0</u>	<u>3,345,017</u>
Fund Balance - Ending	<u><u>3,098,415</u></u>	<u><u>2,970,827</u></u>	<u><u>3,888,321</u></u>	<u><u>917,494</u></u>	<u><u>3,515,246</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>2018</b>			<b>Variance With Final Budget Over (Under)</b>	<b>2017 Actual</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>		
	<b>Original</b>	<b>Final</b>			
General Government					
Legislative	0	5,000	17,035	12,035	0
Management And Support	38,700	155,134	56,378	( 98,756)	14,460
Total General Government	<u>38,700</u>	<u>160,134</u>	<u>73,413</u>	<u>( 98,756)</u>	<u>14,460</u>
Public Safety					
Police	2,301,036	2,337,480	2,136,806	( 200,674)	1,967,187
Street Lights	112,980	112,980	101,178	( 11,802)	110,000
Animal Control	94,089	105,637	93,903	( 11,734)	74,984
Code Enforcement	0	18,000	16,738	( 1,262)	0
Total Public Safety	<u>2,508,105</u>	<u>2,574,097</u>	<u>2,348,625</u>	<u>( 225,472)</u>	<u>2,152,171</u>
Public Works					
Street Maintenance (Trees)	37,223	38,273	28,283	( 9,990)	25,752
Street Maintenance	380,363	592,692	410,793	( 181,899)	263,200
Total Public Works	<u>417,586</u>	<u>630,965</u>	<u>439,076</u>	<u>( 191,889)</u>	<u>288,952</u>
Community Development					
Planning	141,884	140,655	105,517	( 35,138)	155,037
Building Regulation	178,269	182,113	114,863	( 67,250)	141,157
Engineering	189,168	193,701	132,596	( 61,105)	166,703
Total Community Development	<u>509,321</u>	<u>516,469</u>	<u>352,976</u>	<u>( 163,493)</u>	<u>462,897</u>
Culture And Leisure					
Parks	164,726	166,067	140,388	( 25,679)	141,672
Recreation	278,365	278,142	235,077	( 43,065)	220,904
Library	58,995	58,887	56,645	( 2,242)	55,518
Community Center	87,235	88,229	76,442	( 11,787)	68,889
Total Culture And Leisure	<u>589,321</u>	<u>591,325</u>	<u>508,552</u>	<u>( 82,773)</u>	<u>486,983</u>
Total General Fund	<u>4,063,033</u>	<u>4,472,990</u>	<u>3,722,642</u>	<u>( 762,383)</u>	<u>3,405,463</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
MEASURE K  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>2018</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2017 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Interest Income	4,500	7,000	13,000	6,000	8,412
Intergovernmental	<u>300,000</u>	<u>320,000</u>	<u>319,624</u>	( 376)	<u>300,000</u>
Total Revenues	<u>304,500</u>	<u>327,000</u>	<u>332,624</u>	<u>5,624</u>	<u>308,412</u>
<b>EXPENDITURES</b>					
Supplies And Services	0	0	17,958	17,958	0
Capital Outlay	<u>393,000</u>	<u>423,000</u>	<u>58,696</u>	( 364,304)	<u>389,582</u>
Total Expenditures	<u>393,000</u>	<u>423,000</u>	<u>76,654</u>	( 346,346)	<u>389,582</u>
Excess (Deficiency) Of Revenues Over Expenditures	( 88,500)	( 96,000)	<u>255,970</u>	<u>351,970</u>	( 81,170)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale Of Property	0	0	0	0	0
Transfers In	0	0	74,381	74,381	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>74,381</u>	<u>74,381</u>	<u>0</u>
Net Change In Fund Balance	( 88,500)	( 96,000)	330,351	426,351	( 81,170)
Fund Balance - Beginning	<u>956,064</u>	<u>956,064</u>	<u>956,064</u>	<u>0</u>	<u>1,037,234</u>
Fund Balance - Ending	<u><u>867,564</u></u>	<u><u>860,064</u></u>	<u><u>1,286,415</u></u>	<u><u>426,351</u></u>	<u><u>956,064</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS



**CITY OF ESCALON  
TRANSPORTATION MITIGATION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>2018</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2017 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Interest Income	2,800	6,000	28,541	22,541	18,200
Impact Fees	<u>23,792</u>	<u>20,495</u>	<u>4,516</u>	( 15,979)	<u>79,317</u>
Total Revenues	<u>26,592</u>	<u>26,495</u>	<u>33,057</u>	<u>6,562</u>	<u>97,517</u>
<b>EXPENDITURES</b>					
Supplies And Services	0	0	0	0	0
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>26,592</u>	<u>26,495</u>	<u>33,057</u>	<u>6,562</u>	<u>97,517</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	26,592	26,495	33,057	6,562	97,517
Fund Balance - Beginning	<u>3,072,299</u>	<u>3,072,299</u>	<u>3,072,299</u>	<u>0</u>	<u>2,974,782</u>
Fund Balance - Ending	<u><u>3,098,891</u></u>	<u><u>3,098,794</u></u>	<u><u>3,105,356</u></u>	<u><u>6,562</u></u>	<u><u>3,072,299</u></u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
TRANSPORTATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	2018		Actual	Variance With Final Budget Over (Under)	2017 Actual
	Budgeted Amounts				
	Original	Final			
<b>REVENUES</b>					
Interest Income	2,300	6,000	11,378	5,378	6,074
Intergovernmental	167,281	167,281	227,666	60,385	160,711
Miscellaneous Revenues	0	0	0	0	0
Total Revenues	169,581	173,281	239,044	65,763	166,785
<b>EXPENDITURES</b>					
Supplies And Services	0	0	0	0	0
Capital Outlay	1,005,400	959,625	211,396	( 748,229)	81,322
Total Expenditures	1,005,400	959,625	211,396	( 748,229)	81,322
Excess (Deficiency) Of Revenues Over Expenditures	( 835,819)	( 786,344)	27,648	813,992	85,463
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	( 21,750)
Total Other Financing Sources And (Uses)	0	0	0	0	( 21,750)
Net Change In Fund Balance	( 835,819)	( 786,344)	27,648	813,992	63,713
Fund Balance - Beginning	1,587,648	1,587,648	1,587,648	0	1,523,935
Fund Balance - Ending	751,829	801,304	1,615,296	813,992	1,587,648

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
CITY HALL FEES  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>2018</b>				
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>	<b>2017 Actual</b>
	<b>Original</b>	<b>Final</b>			
<b>REVENUES</b>					
Interest Income	0	0	7	7	6
Impact Fees	<u>13,576</u>	<u>8,485</u>	<u>3,664</u>	<u>( 4,821)</u>	<u>16,777</u>
Total Revenues	<u>13,576</u>	<u>8,485</u>	<u>3,671</u>	<u>( 4,814)</u>	<u>16,783</u>
<b>EXPENDITURES</b>					
Supplies And Services	0	0	0	0	0
Interest	0	0	32,771	32,771	21,023
Capital Outlay	<u>0</u>	<u>13,000</u>	<u>9,384</u>	<u>( 3,616)</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>13,000</u>	<u>42,155</u>	<u>29,155</u>	<u>21,023</u>
Excess (Deficiency) Of Revenues Over Expenditures	<u>13,576</u>	<u>( 4,515)</u>	<u>( 38,484)</u>	<u>( 33,969)</u>	<u>( 4,240)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	0	0	0	0	0
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources And (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change In Fund Balance	13,576	( 4,515)	( 38,484)	( 33,969)	( 4,240)
Fund Balance - Beginning	( 2,814,808)	( 2,814,808)	( 2,814,808)	0	( 2,810,568)
Fund Balance - Ending	<u>( 2,801,232)</u>	<u>( 2,819,323)</u>	<u>( 2,853,292)</u>	<u>( 33,969)</u>	<u>( 2,814,808)</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>Business-Type Activities-Enterprise Funds</b>					
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Storm Drain Fund</b>	<b>Transit Fund</b>	<b>RESTATED Totals</b>	
					<b>2018</b>	<b>2017</b>
<b>Assets</b>						
Cash And Investments	2,801,401	3,454,544	427,153	114,289	6,797,387	5,847,481
Accounts Receivable	267,903	220,669	1,224	47,632	537,428	579,378
Loan Receivable	0	0	0	0	0	0
Fixed Assets	9,463,790	11,667,464	3,309,992	359,232	24,800,478	24,397,752
Accumulated Depreciation (	4,569,747)	( 2,956,028)	( 1,037,798)	( 297,741)	( 8,861,314)	( 8,326,190)
Loan Fees	30,000	2,017	0	0	32,017	36,534
Work In Progress	106,639	10,353	0	0	116,992	24,321
Total Assets	<u>8,099,986</u>	<u>12,399,019</u>	<u>2,700,571</u>	<u>223,412</u>	<u>23,422,988</u>	<u>22,559,276</u>
<b>Deferred Outflows Of Resources</b>						
Current Pension Plan						
Contribution	<u>271,316</u>	<u>321,906</u>	<u>70,872</u>	<u>0</u>	<u>664,094</u>	<u>851,179</u>
<b>Liabilities</b>						
Accounts Payable	148,776	34,148	3,246	39,530	225,700	231,929
Customer Deposits	0	56,117	0	0	56,117	49,683
Compensated Absences	16,995	18,239	4,273	0	39,507	30,030
General Fund Loan	312,574	0	0	0	312,574	410,919
Other Liabilities	0	2,678	0	0	2,678	2,139
Net Pension Liability	477,449	612,364	127,129	0	1,216,942	1,066,929
Loan Payable	520,000	0	0	0	520,000	545,000
Bond Payable	<u>0</u>	<u>157,545</u>	<u>0</u>	<u>0</u>	<u>157,545</u>	<u>231,603</u>
Total Liabilities	<u>1,475,794</u>	<u>881,091</u>	<u>134,648</u>	<u>39,530</u>	<u>2,531,063</u>	<u>2,568,232</u>
<b>Deferred Inflows Of Resources</b>						
Deferral Of Pension Expense	<u>97,588</u>	<u>118,038</u>	<u>25,926</u>	<u>0</u>	<u>241,552</u>	<u>387,339</u>
<b>Net Position</b>						
Invested In Capital Assets,						
Net Of Related Debt	4,480,682	8,553,891	2,272,194	61,491	15,368,258	15,309,280
Restricted For Debt Service	0	0	0	0	0	0
Unrestricted	<u>2,317,238</u>	<u>3,167,905</u>	<u>338,675</u>	<u>122,391</u>	<u>5,946,209</u>	<u>5,145,604</u>
Total Net Position	<u>6,797,920</u>	<u>11,721,796</u>	<u>2,610,869</u>	<u>183,882</u>	<u>21,314,467</u>	<u>20,454,884</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>Business-Type Activities-Enterprise Funds</b>				<b>RESTATED</b>	
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Storm Drain Fund</b>	<b>Transit Fund</b>	<b>Totals</b>	
					<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>						
Service Charges	2,741,212	1,285,601	176,426	7,748	4,210,987	4,430,968
Intergovernmental	0	0	0	143,964	143,964	227,723
Miscellaneous Revenues	296	3,715	822	0	4,833	4,689
Total Operating Revenues	<u>2,741,508</u>	<u>1,289,316</u>	<u>177,248</u>	<u>151,712</u>	<u>4,359,784</u>	<u>4,663,380</u>
<b>Operating Expenses</b>						
Employee Services	399,800	423,893	92,535	6,118	922,346	719,429
Supplies And Services	1,431,238	448,790	104,145	123,911	2,108,084	1,998,296
Depreciation	235,182	154,490	37,218	108,235	535,125	512,351
Total Operating Expenses	<u>2,066,220</u>	<u>1,027,173</u>	<u>233,898</u>	<u>238,264</u>	<u>3,565,555</u>	<u>3,230,076</u>
Operating Income (Loss)	<u>675,288</u>	<u>262,143</u>	<u>( 56,650)</u>	<u>( 86,552)</u>	<u>794,229</u>	<u>1,433,304</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Earnings	20,966	26,955	3,267	578	51,766	21,887
Connection Fees	18,486	28,944	0	0	47,430	175,709
Development Fees	0	0	15,903	0	15,903	26,109
Gain/Loss on Sale of Assets	0	0	0	0	0	4,868
Development Contribution	0	0	0	0	0	0
Amortization of Bond Issuance Cost	( 2,500)	( 2,017)	0	0	( 4,517)	( 4,517)
Interest Expense	( 36,387)	( 8,841)	0	0	( 45,228)	( 49,856)
Total Nonoperating Revenues (Expenses)	<u>565</u>	<u>45,041</u>	<u>19,170</u>	<u>578</u>	<u>65,354</u>	<u>174,200</u>
Income Before Transfers	<u>675,853</u>	<u>307,184</u>	<u>( 37,480)</u>	<u>( 85,974)</u>	<u>859,583</u>	<u>1,607,504</u>
Operating Transfer In	594,473	205,315	55,523	0	855,311	1,318,282
Operating Transfer Out	( 594,473)	( 205,315)	( 55,523)	0	( 855,311)	( 1,318,282)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change In Net Position	<u>675,853</u>	<u>307,184</u>	<u>( 37,480)</u>	<u>( 85,974)</u>	<u>859,583</u>	<u>1,607,504</u>
Total Net Position - Beginning	6,048,633	11,291,878	2,619,858	269,856	20,230,225	18,622,721
Prior Period Adjustment - GASB 68	73,434	122,734	28,491	0	224,659	224,659
Adjusted Net Position - Beginning	<u>6,122,067</u>	<u>11,414,612</u>	<u>2,648,349</u>	<u>269,856</u>	<u>20,454,884</u>	<u>18,847,380</u>
Total Net Position - Ending	<u>6,797,920</u>	<u>11,721,796</u>	<u>2,610,869</u>	<u>183,882</u>	<u>21,314,467</u>	<u>20,454,884</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>Business-Type Activities-Enterprise Funds</b>				<b>RESTATED</b>	
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Storm Drain Fund</b>	<b>Transit Fund</b>	<b>Totals</b>	
					<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts From Customers And Users	2,778,462	1,268,170	176,594	185,481	4,408,707	4,636,934
Payments To Suppliers	(1,424,053)	( 446,269)	( 106,235)	( 137,756)	(2,114,313)	( 1,919,828)
Payments To Employees	( 311,154)	( 332,008)	( 72,278)	( 6,119)	( 721,559)	( 657,993)
Net Cash Provided By Operating Activities	<u>1,043,255</u>	<u>489,893</u>	<u>( 1,919)</u>	<u>41,606</u>	<u>1,572,835</u>	<u>2,059,113</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer Ins	594,473	205,315	55,523	0	855,311	1,318,282
Transfer Out	( 594,473)	( 205,315)	( 55,523)	0	( 855,311)	( 1,318,282)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Connection Fees	18,486	28,944	0	0	47,430	175,709
Development Fees	0	0	15,903	0	15,903	26,109
Due to Other Funds	( 98,345)	0	0	0	( 98,345)	0
Purchase Of Capital Assets	( 234,558)	( 205,316)	( 55,523)	0	( 495,397)	( 534,975)
Gain/Loss On Sale Of Capital Assets	0	0	0	0	0	4,864
Principal Paid On Capital Debt	( 25,000)	( 74,058)	0	0	( 99,058)	( 185,186)
Interest Paid On Capital Debt	( 36,387)	( 8,841)	0	0	( 45,228)	( 49,856)
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>( 375,804)</u>	<u>( 259,271)</u>	<u>( 39,620)</u>	<u>0</u>	<u>( 674,695)</u>	<u>( 563,335)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest Received	<u>20,966</u>	<u>26,955</u>	<u>3,267</u>	<u>578</u>	<u>51,766</u>	<u>21,887</u>
Net Cash Provided By Investing Activities	<u>20,966</u>	<u>26,955</u>	<u>3,267</u>	<u>578</u>	<u>51,766</u>	<u>21,887</u>
Net Increase In Cash And Cash Equivalents	688,417	257,577	( 38,272)	42,184	949,906	1,517,665
Cash And Equivalents, July 1	<u>2,112,984</u>	<u>3,196,967</u>	<u>465,425</u>	<u>72,105</u>	<u>5,847,481</u>	<u>4,329,816</u>
Cash And Equivalents, June 30	<u>2,801,401</u>	<u>3,454,544</u>	<u>427,153</u>	<u>114,289</u>	<u>6,797,387</u>	<u>5,847,481</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

Reconciliation Of Operating Income To Net Cash Provided (Used) By Operating Activities	Business-Type Activities-Enterprise Funds				RESTATED	
	Sewer Fund	Water Fund	Storm Drain Fund	Transit Fund	Totals	
					2018	2017
Operating Income	675,288	262,143	( 56,650)	( 86,552)	794,229	1,433,304
Adjustments To Reconcile Operating Income						
To Net Cash Provided (Used) By Operating Activities						
Depreciation Expense	235,182	154,490	37,218	108,235	535,125	512,351
Receipts From Interfund Services Provided						
Deferred Outflows of Resources	79,821	87,755	19,510	0	187,086	34,916
Accounts Receivable	36,954	( 28,119)	( 654)	33,768	41,949	( 30,690)
Increase (Decrease) In						
Accounts Payable	7,185	3,060	( 2,090)	( 13,845)	( 5,690)	78,468
Compensated Absences	7,023	2,147	308	0	9,478	6,194
Deferred Inflows of Resources	( 62,201)	( 68,383)	( 15,205)	0	( 145,789)	( 178,764)
Net Pension Liability	64,004	70,366	15,644	0	150,014	199,090
Customer Deposits	<u>0</u>	<u>6,434</u>	<u>0</u>	<u>0</u>	<u>6,434</u>	<u>4,244</u>
Net Cash Provided (Used) By Operating Activities	<u>1,043,256</u>	<u>489,893</u>	<u>( 1,919)</u>	<u>41,606</u>	<u>1,572,836</u>	<u>2,059,113</u>

SEE ACCOMPANYING NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Escalon, California (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management and Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.
- Financial statements prepared using the full accrual accounting for all of the City’s activities, except for infrastructure (roads, streets, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The more significant of the City’s accounting policies are described below:

**A. Financial Reporting Entity**

The accompanying basic financial statements present the financial activity of the City of Escalon (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Discretely presented component units represent other legally separate organizations for which the primary government is financially accountable or for which the nature and significance of their relationship to the primary government are such that exclusion would cause the City’s reporting entity to be misleading or incomplete. The City has one component unit, Escalon Public Facilities Corporation (the Corporation). The City Council serves as the Board of the Public Facilities. Therefore, this entity is reported as blended component unit within the City’s comprehensive annual financial report (CAFR). Both the City and its blended component unit have a June 30 year-end.

**City of Escalon**

The City (primary government) was incorporated on March 12, 1957 under the general laws of the State of California. The City provides the full range of municipal services as contemplated by statute. Services provided include sewer, water, storm drain, transit, public safety (police and civil defense), street construction and maintenance, culture-recreation, public improvements, planning and zoning, and general administrative and support services.



**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**City of Escalon (continued)**

The City operates under a Council-Manager form of government. The City Council consists of five members elected at large for overlapping four-year terms. The Mayor is appointed by the City Council for a two-year term. The City Council appoints a City Manager and City Attorney. In addition the City Council sits as the governing board of the City's one component unit, Escalon Public Facilities Corporation.

*Component Unit* – Escalon Public Facilities Corporation was established on January 11, 2008 and is a separate governmental entity. The Corporation is responsible for the administration and providing services for the public facilities. The Corporation financial data and transactions are included within the Debt Service Fund; no separate financial report is issued for the Corporation.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Governmental capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources. Property taxes and taxpayer-assessed tax revenues (e.g., franchise taxes, sales taxes, motor vehicle fees, etc.) net of estimated refunds and uncollectible amounts, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City. The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Measure K Fund**- To account for receipts and disbursements of the Measure K funds.

The **Transportation Mitigation Fund**- To account for development impact fees collected. These fees are used for infrastructure and capital expenditure resulting from new developments.

**Transportation Fund** - To account for the City's allocation of local transportation revenues for streets, roads, and sidewalk improvements, and payments for rail services.

**City Hall Fund** - To account for funds received from developer fees collected to mitigate the additional impact on the City's administration functions as a result of the anticipated growth in the community.

The city reports the following major proprietary funds.

The **Water Fund** accounts for the activities of the City's water service.

The **Sewer Fund** accounts for the activities of the City's sewer service.

The **Storm Drain Fund** accounts for the activities of the City's storm drain operation.

The **Transit Fund** accounts for the activities of the City's transit service.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers and applicants, for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

**D. Assets, Liabilities, Net Position or Equity**

**1. Cash and Investments**

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**1. Cash and Investments (continued)**

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types of investments. Authorized investments include:

- Securities of the U.S. government or its agencies
- Certificates of Deposit (or time deposits) placed with commercial banks and/or savings and loan associations
- Bankers Acceptances
- State Treasurer's Local Agency Investment Fund (LAIF)
- Passbook savings account demand deposits
- Small Business Administration Loans
- Other products which are totally guaranteed and insured by the U.S government.

Investments for the City are reported at fair value. LAIF operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

For purposes of the statement of cash flows, the city has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool and restricted, non-pooled investment with initial maturities of three months or less.

**2. Receivables and Payables**

Activity between funds that are representative of lending/borrowing outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and tax receivables are shown net of an allowance for uncollectible accounts and estimated refunds due.

**3. Property Taxes**

Property taxes are levied on the first day of January by the county assessor, and are payable to the county tax collector in two installments.

The first installment is due November 1st, and is delinquent on December 10th, the second installment is due February 1st and is delinquent on April 10th. Taxes become a lien on the property on January 1st, and on the date of transfer of title, and the date of new construction.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**3. Property Taxes (continued)**

The minimum property value which is taxed is \$2,000; however, tax bills are prepared for properties valued at less than \$2,000 if there is a special assessment to be collected. Article 13A of the California Constitution states, "The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent tax is to be collected by the counties and apportioned according to law to the districts within the counties."

The City has elected under state law (TEETER) to receive all of the annual property assessments in three installments as follows:

December	55%
April	40%
June	<u>5%</u>
	<u>100%</u>

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**5. Restricted Assets**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**6. Capital Assets**

Capital assets, which include property, plant, and equipment and infrastructure assets (e.g. roads, bridges, sidewalks, traffic lights and signals, street lights and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 for property, plant, equipment and infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service life using the straight-line method.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**6. Capital Assets (Continued)**

Assets are depreciated as follows:

Buildings and Improvements	50 years
Machinery and Equipment	3-15 years
Improvements	40 years
Streets and Roads	40 years
Traffic Signals	30 years
Curb, Gutter, Sidewalks, & Median Curbs	50 years
Storm Drains	100 years
Water System	50 years
Sewer System	50-65 years

**7. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for vacation pay is reported in the governmental and proprietary funds. The changes of the compensated absences were as follows:

	Governmental Activities	Business Type Activities	Totals
Beginning Balance	178,937	30,030	208,967
Additions	149,917	36,961	186,878
Deletions	( 164,912)	( 27,484)	( 192,396)
Ending Balance	<u>163,942</u>	<u>39,507</u>	<u>203,449</u>

**8. Pensions**

For purposes of on liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Escalon's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**9. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**10. Net Position and Fund Equity**

In the government-wide financial statements, net position are reported in three categories: net position invested in capital assets, net of related debt; restricted net position and unrestricted net position. Restricted net position represent net position restricted by parties outside the City (such as creditors, grantors, contributors, laws and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net position are temporarily restricted (ultimately expendable assets). All other net position are considered unrestricted.

In the fund financial statements, fund balance is reported in classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of fund balance are Non-spendable, Restricted, Committed, Assigned, and Unassigned. Non-spendable and Restricted fund balances represent the restricted classifications, and Committed, Assigned, and Unassigned represent the unrestricted classifications.

- Non-spendable fund balance includes amounts that cannot be spent because either 1) it is not in a spendable form, such as inventory or prepaid items or 2) legally or contractually required to be maintained intact.
- Restricted fund balance includes amounts that are constrained for specific purposes which are externally (outside the City) imposed by creditors, grantors, contributors, laws and regulations of other governments, or laws through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that are constrained for specified purpose that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**10. Net Position and Fund Equity (continued)**

- Assigned fund balance represents limitations imposed by management.
- Unassigned fund balance represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance and any governmental fund can report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

	Transportation						Totals
	General	Measure K	Mitigation Fund	Transportation Fund	City Hall Fees	Other Funds	
<b>Fund Balances:</b>							
<b>Nonspendable</b>	627,029	0	0	0	0	0	627,029
<b>Restricted To:</b>							
Streets and Highway	0	1,286,415	3,105,356	1,615,296	0	1,048,439	7,055,506
Housing	0	0	0	0	0	838,540	838,540
Public Safety	0	0	0	0	0	138,750	138,750
Community Development	0	0	0	0	0	46,067	46,067
<b>Committed To:</b>							
Capital Projects	0	0	0	0	0	382,513	382,513
Community Development	0	0	0	0	0	11,770	11,770
Park and Recreation	0	0	0	0	0	85,228	85,228
Reserves	2,144,901	0	0	0	0	0	2,144,901
<b>Assigned To</b>							
Equipment Reserve	195,450	0	0	0	0	0	195,450
Debt Services	707,851	0	0	0	0	0	707,851
CalPERS Reserve	80,000	0	0	0	0	0	80,000
Streets and Highway	0	0	0	0	0	8,506	8,506
Park and Recreation	0	0	0	0	0	159,708	159,708
<b>Unassigned</b>	<u>133,090</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 2,853,292)</u>	<u>( 162,150)</u>	<u>( 2,882,352)</u>
<b>Total Fund Balances</b>	<u>3,888,321</u>	<u>1,286,415</u>	<u>3,105,356</u>	<u>1,615,296</u>	<u>( 2,853,292)</u>	<u>2,557,371</u>	<u>9,599,467</u>

**11. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



**CITY OF ESCALON  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The City Council is required to adopt an annual budget resolution by July 1 of each fiscal year for the general fund, and special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. The council can make supplemental budgetary appropriations throughout the year.

**B. Deficit Fund Equity**

For the year ended June 30, 2018, the following funds have a deficit fund balance:

Library Fees Fund	\$	162,150
City Hall Fund	\$	2,853,292

Future revenues are expected to offset the Library Fees and City Hall Funds.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Cash And Investments**

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	<u>15,963,655</u>
Total cash and investments	<u>15,963,655</u>

Cash and investments as of June 30, 2018 consist of the following:

Cash on hand	415
Deposits with financial institutions	490,711
Investments in CSJVRMA	5,141,703
Investments in LAIF	<u>10,330,826</u>
Total cash and investments	<u>15,963,655</u>

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Investments Authorized by the City’s Investment Policy**

The City’s investment policy authorizes investment in the local government investment pool administered by the State of California (LAIF). The City’s investment policy also authorizes cash to be invested in Certificates of Deposits, Bankers Acceptances, and Passbook Savings Demand Deposits. The City’s investment policy does not contain any specific provisions intended to limit the City’s exposure to interest rate risk, credit risk, and concentration of credit risk.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of year-end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 6.49 months.

		<u>Maturity Date</u>
State investment pool	10,330,826	6.49 months average maturity
Total	<u>10,330,826</u>	

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

**Concentration of Credit Risk**

The investment policy of the City’s contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Custodial Credit Risk (continued)**

Beginning January 1, 2013, funds deposited in a non-interest bearing transaction account no longer will receive unlimited deposit insurance covered by FDIC. All depositor's accounts at an insured depository institution including all non-interest bearing transactions accounts will be insured by the FDIC up to the standard maximum deposit insurance amount (\$250,000) for each deposit insurance ownership category.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

**Investment in State Investment Pool**

The City's is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Deferred Compensation Plan**

The City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until distributed to them and distributions may be made only at termination, retirement, death or in an emergency as defined by the plan.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for exclusive benefit of plan participants and their beneficiaries. Since the assets held under the plan are not the City's property and are not subject to claims by general creditors of the City, does not report the deferred compensation plan assets on its financial statements.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**B. Accounts Receivable**

Receivables at June 30, 2018 for the City’s individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows. All receivables are expected to be collected within one year.

	General	Measure K	Transport. Mitigation	Transport. Fund	Non-Major Govern- mental	Total
Governmental Activities:						
Utility Billing	101,754	0	0	0	0	101,754
Intergovernmental	118,581	75,000	0	34,618	6,265	234,464
Other	28,244	3,478	4,015	4,303	9,626	49,666
Total	<u>248,579</u>	<u>78,478</u>	<u>4,015</u>	<u>38,921</u>	<u>15,891</u>	<u>385,884</u>

	Sewer	Water	Storm Drain	Transit	Total
Business-Type Activities:					
Utility Billing	203,596	210,597	0	0	414,193
Intergovernmental	0	0	0	47,401	47,401
Other	64,307	10,072	1,224	231	75,834
Total	<u>267,903</u>	<u>220,669</u>	<u>1,224</u>	<u>47,632</u>	<u>537,428</u>

**C. Loans Receivable**

The City sold three properties during this fiscal year under a seller financed agreement. The terms are interest only payments of \$536.25 per month with a balloon payment at the end of the 36 months terms. The principal is due in full in March 2021.

The City has a loan program to assist employees with purchase of personal computers. These loans are for a maximum of \$3,000, bear no interest and are repaid by monthly payroll deductions. As of June 30, 2018, the outstanding is \$0.00

**D. Evaluation of Subsequent Events**

The City has evaluated subsequent events through November 20, 2018 the date which the financial statements were available to be issued.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**E. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental-type Activities</b>				
Capital assets not being depreciated:				
Land	10,041,242	0	( 114,028)	9,927,214
Construction in progress	<u>81,323</u>	<u>82,339</u>	<u>( 31,508)</u>	<u>132,154</u>
Total capital assets not being depreciated	<u>10,122,565</u>	<u>82,339</u>	<u>( 145,536)</u>	<u>10,059,368</u>
Capital assets being depreciated:				
Infrastructure	21,610,621	219,260	0	21,829,881
Equipment and vehicles	2,002,146	385,867	0	2,388,013
Building and improvements	<u>12,742,291</u>	<u>77,311</u>	<u>0</u>	<u>12,819,602</u>
Total capital assets being depreciated	<u>36,355,058</u>	<u>682,438</u>	<u>0</u>	<u>37,037,496</u>
Less accumulated depreciation for:				
Infrastructure	( 8,608,162)	( 690,211)	0	( 9,298,373)
Equipment and vehicles	( 1,587,391)	( 88,821)	0	( 1,676,212)
Building and improvements	<u>( 3,061,417)</u>	<u>( 273,303)</u>	<u>0</u>	<u>( 3,334,720)</u>
Total accumulated depreciation	<u>( 13,256,970)</u>	<u>( 1,052,335)</u>	<u>0</u>	<u>( 14,309,305)</u>
Net capital assets being depreciated	<u>23,098,088</u>	<u>( 369,897)</u>	<u>0</u>	<u>22,728,191</u>
Total net capital assets - Governmental-type activities	<u>33,220,653</u>	<u>( 287,558)</u>	<u>( 145,536)</u>	<u>32,787,559</u>

Depreciation was charged to functions/programs of the primary government as follows:

**Government Activities:**

General Government	145,868
Public Safety	54,405
Public Works	718,056
Community Development	317
Culture and Leisure	<u>133,689</u>
Total Depreciation Expense – Government Activities	<u>1,052,335</u>

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**E. Capital Assets (continued)**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	4,757,505	0	0	4,757,505
Construction In Progress	<u>24,321</u>	<u>102,671</u>	<u>( 10,000)</u>	<u>116,992</u>
Total capital assets not being depreciated	<u>4,781,826</u>	<u>102,671</u>	<u>( 10,000)</u>	<u>4,874,497</u>
Capital assets being depreciated:				
Infrastructure	16,334,122	260,486	0	16,594,608
Equipment and vehicles	1,947,608	142,240	0	2,089,848
Building and improvements	<u>1,358,518</u>	<u>0</u>	<u>0</u>	<u>1,358,518</u>
Total capital assets being depreciated	<u>19,640,248</u>	<u>402,726</u>	<u>0</u>	<u>20,042,974</u>
Less accumulated depreciation for:				
Infrastructure	( 6,536,769)	( 268,763)	0	( 6,805,532)
Equipment and vehicles	( 1,240,274)	( 240,721)	0	( 1,480,995)
Building and improvements	<u>( 549,147)</u>	<u>( 25,640)</u>	<u>0</u>	<u>( 574,787)</u>
Total accumulated depreciation	<u>( 8,326,190)</u>	<u>( 535,124)</u>	<u>0</u>	<u>( 8,861,314)</u>
Net capital assets being depreciated	<u>11,314,058</u>	<u>( 132,398)</u>	<u>0</u>	<u>11,181,660</u>
Total net capital assets - Business-type activities	<u>16,095,884</u>	<u>( 29,727)</u>	<u>( 10,000)</u>	<u>16,056,156</u>

Depreciation was charged to functions/programs of the primary government as follows:

**Business - Type Activities:**

Water	154,490
Sewer	235,182
Storm Drain	37,218
Transit	<u>108,235</u>
Total Depreciation Expense – Business-Type Activities	<u>535,125</u>

**CITY OF ESCALON  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**F. Transfers**

Interfund transfers for the year ended June 30, 2018 consisted of the following amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	211,000	213,181
Gas Tax	0	135,000
Measure K	74,381	0
CDBG Block Grant	0	74,381
SLESF	0	60,000
Library	47,985	0
Civic/Comm Ctr Debt	165,196	0
Traffic Safety	0	16,000
Storm	55,523	55,523
Water	205,315	205,315
Sewer	594,473	594,473
Total	<u>1,353,873</u>	<u>1,353,873</u>

**G. Long-Term Debt**

**Governmental-Type Activities:**

Capital Lease

The City entered into a capital lease agreement with the Escalon Public Facilities Corporation for the purchase of and improvements to the Civic Center and renovation of the Community Center. At the end of the lease term the City will take ownership of all leased property. The City refinanced this lease on September 25, 2013. Under the new agreement the City will make monthly installments of \$10,417 per month of principal and interest at 2.50% until September 25, 2015, then monthly installments of \$13,648 per month until September 25, 2043. The capital lease outstanding balance is \$3,064,437 as of June 30, 2018.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**G. Long-Term Debt (continued)**

Year Ending June 30	Principal	Interest	Total
2019	88,179	75,597	163,776
2020	90,409	73,367	163,776
2021	92,695	71,081	163,776
2022	95,041	68,735	163,776
2023	97,443	66,333	163,776
2024-2028	525,537	293,343	818,880
2029-2033	595,337	223,543	818,880
2034-2038	674,518	144,362	818,880
2039-2043	764,232	54,648	818,880
2044	41,046	169	41,215
Total	<u>3,064,437</u>	<u>1,071,178</u>	<u>4,135,615</u>

**Business-Type Activities:**

The 1984 Safe Drinking Water Bonds is due in semi-annual installments of \$41,449.37 through 2020 with interest of 4.1493%. The proceeds were used for water improvements to meet California's safe water standards. The principal amount unpaid at June 30, 2018 is \$157,545.

Year Ending June 30	Principal	Interest	Total
2019	77,159	5,740	82,899
2020	80,386	2,513	82,899
Total	<u>157,545</u>	<u>8,253</u>	<u>165,798</u>

The 2000 Water and Wastewater Revenue Bonds are due in annual installments of \$20,000 to \$55,000 through 2030 with interest of 4.45% - 5.8%. The proceeds were used for wastewater pipe improvements and other related capital improvements. The principal amount unpaid at June 30, 2018 is \$520,000.



**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**G. Long-Term Debt (continued)**

Year Ending June 30	Principal	Interest	Total
2019	30,000	29,160	59,160
2020	30,000	27,435	57,435
2021	30,000	25,710	55,710
2022	35,000	23,841	58,841
2023	35,000	21,829	56,829
2024-2028	205,000	76,036	281,036
2029-2031	155,000	13,775	168,775
Total	<u>520,000</u>	<u>217,786</u>	<u>737,786</u>

The following is a summary of changes in the City's long-term debt and other long-term liabilities during the year ended June 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Civic Center Lease	3,150,264	0	( 85,827)	3,064,437	88,179
Long-term liabilities of Governmental Activities:	<u>3,150,264</u>	<u>0</u>	<u>( 85,827)</u>	<u>3,064,437</u>	<u>88,179</u>

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Water and Wastewater Bonds	545,000	0	( 25,000)	520,000	30,000
1984 Safe Drinking Water Bond	231,603	0	( 74,058)	157,545	77,159
Long-term liabilities of Business-Type activities:	<u>776,603</u>	<u>0</u>	<u>( 99,058)</u>	<u>677,545</u>	<u>107,159</u>

**CITY OF ESCALON  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**H. Payables And Other Liabilities**

Payables at June 30, 2018 for the City's individual major funds and non-major funds in the aggregate are as follows:

	General	Transportation	Measure K	Non-major Govern- mental	Total
<b>Governmental Activities:</b>					
Vendors	245,399	2,250	3,650	34,654	285,953
Other Payables	76,473	0	0	0	76,473
Developer Deposits	55,076	0	0	0	55,076
Total	<u>376,948</u>	<u>2,250</u>	<u>3,650</u>	<u>34,654</u>	<u>417,502</u>
<b>Business-Type Activities:</b>					
	Sewer	Water	Storm Drain	Transit	Total
Vendors	148,776	34,148	3,246	39,530	225,700
Customer Deposits	0	56,117	0	0	56,117
Other Payables	0	0	0	0	0
Total	<u>148,776</u>	<u>90,265</u>	<u>3,246</u>	<u>39,530</u>	<u>281,817</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The City of Escalon participates with other public entities in a joint exercise of powers agreement, which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$10,000 and workers' compensation losses under \$10,000.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**A. Risk Management (Continued)**

The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

The financial position and results of operations for the CSJVRMA, as of June 30, 2018, are presented below:

Total Assets	<u>110,234,633</u>
Total Liabilities	92,209,231
Total Net Position	<u>18,025,402</u>
Total Liabilities & Net Position	<u>110,234,633</u>
Total Revenues for Year	46,649,852
Total Expenses for Year	<u>46,619,021</u>
Net Income/Loss for Year	<u>50,831</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess deficit will be divided among the cities in accordance with its governing documents.

**B. Commitments and Contingencies**

The City of Escalon is a party in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**C. Employee Retirement Systems and Plans**

The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. All qualified permanent and probationary employees are eligible to participate in the Local Government's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**Benefits Provided** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<b>Miscellaneous</b>		
	Prior to October 1, 2011	On or After October 1, 2011	On or After January 1, 2013
Hire date			
Benefit formula	3% @ 60	2% @ 60	2% @ 62
Benefit vesting schedule	5 years	5 years	5 years
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	52
Monthly benefits, as a % of eligible compensation	2% - 3%	1.092% - 2.418%	1.0% - 2.5%
Required employee contribution rates	8.00%	7.00%	6.25%
Required employer contribution rates	35.027%	6.70%	6.25%
	<b>Safety</b>		
	Prior to October 1, 2011	On or After October 1, 2011	On or After January 1, 2013
Hire date			
Benefit formula	3% @ 50	2% @ 55	2% @ 57
Benefit vesting schedule	5 years	5 years	5 years
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Retirement age	50	50	50
Monthly benefits, as a % of eligible compensation	3%	1.426% - 2.0%	1.426% - 2.0%
Required employee contribution rates	9.00%	7.00%	9.50%
Required employer contribution rates	34.850%	11.53%	9.50%

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**C. Employee Retirement Systems and Plans (Continued)**

*Contributions* – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contributions rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during that year, with an additional amount to finance any unfunded accrued liability. The Local Government is required to contribute the difference between actuarially determined rate and the contribution rate of employees.

On August 15, 2011, the City approved a second tier to the PERS plan. The new provisions state that employees hired after October 1, 2011 will have different contribution rates. Effective January 1, 2013, the Public Employees’ Pension Reform Act (PEPRA) implemented new benefit formulas, final compensation period, and new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of new member as per PEPRA.

For the year ended June 30, 2018, the contribution recognized as part of pension expense for each Plan were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Contributions - employer	\$ 90,117	\$ 104,014
Contributions - employee (paid by employer)	0	0
Lump Sum Contributions	245,857	138,358

***Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions***

As of June 30, 2018, the Local Government reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 3,728,981
Safety	<u>1,917,754</u>
Total Net Pension Liability	<u><u>\$ 5,646,735</u></u>

The Local Government’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as on June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Local Government’s proportion of the net pension liability was based on a projection of the Local Government’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**C. Employee Retirement Systems and Plans (Continued)**

The Local Government's proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2018 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2017	0.09600%	0.03288%	0.12888%
Proportion - June 30, 2018	0.09460%	0.03210%	0.12670%
Change - Increase/(Decrease)	-0.00140%	-0.00078%	-0.00218%

At June 30, 2018, the Local Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of Assumptions	\$ 805,837	\$ 61,588
Differences Between Expected and Actual Experiences	24,883	63,608
Differences Between Projected and Actual Investment Earnings	179,795	0
Differences Between Employer's Contributions and Proportionate Share of Contributions	42,189	278,381
Change in Employer's Proportion	1,456,746	580,556
Pension Contributions Made Subsequent to Measurement Date	194,131	0
	<u>\$ 2,703,581</u>	<u>\$ 984,133</u>

\$2,703,581 reported as deferred outflows of resources relation to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
2019	\$ 310,945	\$ 125,480	\$ 436,425
2020	782,902	171,407	954,309
2021	128,366	112,399	240,765
2022	(67,655)	(38,527)	(106,182)
2023	-	-	-
Thereafter	-	-	-
	<u>\$ 1,154,558</u>	<u>\$ 370,759</u>	<u>\$ 1,525,317</u>

**CITY OF ESCALON  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**C. Employee Retirement Systems and Plans (Continued)**

**Actuarial Assumptions** – The total pension liabilities was determined by rolling forward the total pension liability determined in the June 30, 2016 actuarial accounting valuations to June 30, 2017. The June 30, 2017, total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varied by Entry Age and Service
Payroll Growth	3.0%
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power Protection allowance floor on power applies, 2.75% thereafter

The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011 including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

***Change in Assumption***

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**C. Employee Retirement Systems and Plans (Continued)**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds’ asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits of cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The following presents the Local Government’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the Local Government’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:



**CITY OF ESCALON**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**C. Employee Retirement Systems and Plans (Continued)**

	<b>Discount Rate -1% 6.15%</b>	<b>Current Discount Rate 7.15%</b>	<b>Discount Rate +1% 8.15%</b>
Employer's Net Pension Liability/(Asset) - <b>Misc</b>	4,802,689	3,334,984	2,121,999
Employer's Net Pension Liability/(Asset) - <b>Safety</b>	2,543,013	1,702,901	1,013,255
Employer's Net Pension Liability/(Asset) - <b>Total</b>	7,345,702	5,037,885	3,135,254

*Pension Plan Fiduciary Net Position* – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**D. Prior Period Adjustment**

During the GASB 68 calculation process, the City recorded prior period adjustments to adjust for changes in the calculation of prior Deferred Outflows of Resources and Deferred Inflows of Resources. The net increase to net position are as follows:

Governmental Activities	\$905,691
Proprietary Activities:	\$224,660

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**CITY OF ESCALON**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY - MISCELLANEOUS**  
**JUNE 30, 2018**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability	0.0754%	0.0821%	0.0600%	0.05792%
Proportion share of the net pension liability	\$ 3,728,981	\$ 3,334,984	\$ 2,366,853	\$ 2,613,459
Covered - employee payroll	\$ 2,738,104	\$ 2,405,712	\$ 1,004,378	\$ 986,220
Proportionate share of the net pension liability as percentage of covered-employee payroll	136.19%	138.63%	235.65%	265.00%
Plan's fiduciary net position	\$ 8,345,894	\$ 7,566,692	\$ 6,141,333	\$ 6,302,141
Plan fiduciary net position as a percentage of the total pension liability	69.12%	69.41%	72.18%	75.80%

**Notes to Schedule:**

**Change in assumptions.** In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**CITY OF ESCALON**  
**SCHEDULE OF THE LOCAL GOVERNMENT'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY - SAFETY**  
**JUNE 30, 2018**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Proportion of the net pension liability	0.0337%	0.0473%	0.0341%	0.03961%
Proportion share of the net pension liability	\$ 1,917,754	\$ 1,702,901	\$ 1,402,956	\$ 1,632,087
Covered - employee payroll	\$ 1,224,683	\$ 1,130,445	\$ 662,916	\$ 705,770
Proportionate share of the net pension liability as percentage of covered-employee payroll	156.59%	150.64%	211.63%	231.25%
Plan's fiduciary net position	\$ 5,212,273	\$ 5,212,273	\$ 4,418,594	\$ 4,948,867
Plan fiduciary net position as a percentage of the total pension liability	73.10%	72.48%	75.90%	75.20%

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**Notes to Schedule:**

**Benefit Changes.** In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

**Change in assumptions.** In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

**CITY OF ESCALON**  
**SCHEDULE OF CONTRIBUTIONS - MISCELLANEOUS**  
**JUNE 30, 2018**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution (actuarially determined)	\$ 647,565	\$ 546,477	\$ 280,615	\$ 203,824
Contributions in relation to the actuarially determined contributions	(647,565)	(546,477)	(280,615)	(203,824)
Contribution deficiency (excess)	\$ 0	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 2,738,104	\$ 2,405,712	\$ 1,004,378	\$ 986,220
Contributions as a percentage of covered-employee payroll	23.65%	22.72%	27.94%	20.67%
percentage of covered-employee payroll				

**Notes to Schedule:**

Valuation Date: 6/30/2016 6/30/2015 6/30/2014 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization method	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets, See June 30, 2012 Funding Valuation Report
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**CITY OF ESCALON**  
**SCHEDULE OF CONTRIBUTIONS - SAFETY**  
**JUNE 30, 2018**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution (actuarially determined)	\$ 289,639	\$ 256,790	\$ 237,553	\$ 241,124
Contributions in relation to the actuarially determined contributions	(289,639)	(256,790)	(237,553)	(241,124)
Contribution deficiency (excess)	\$ 0	\$ -	\$ -	\$ -
Covered - employee payroll	\$ 1,224,683	\$ 1,130,445	\$ 662,916	\$ 705,770
Contributions as a percentage of covered-employee payroll percentage of covered-employee payroll	23.65%	22.72%	35.83%	34.16%

**Notes to Schedule:**

Valuation Date: 6/30/2016 6/30/2015 6/30/2014 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry age
Amortization method	For details, see June 30, 2012 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets, See June 30, 2012 Funding Valuation Report
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expense, including inflation
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### Special Revenue Funds

**Police Department Fees** - To account for funds received from developer fees, to be used to finance police facilities upgrades to serve the growth anticipated in the community.

**Public Works** - To account for funds received from developer fees collected to mitigate the additional impact on the City's public works departments as a result of the anticipated growth in the community.

**Park Fund** - To account for park development fees used for acquisition, improvement, and expansion of public parks and playgrounds.

**Planning Fee DIF** - To account for monies received and expended by the City under the Development Initiatives Fund as a component under OTELP to provide participatory planning process expressed by the community.

**CDBG - HUD** - To account for monies received and expended by the City under Section 8 of the Federal Housing and Urban Development Act for housing assistance to low and moderate income families.

**In-Lieu Low Income Housing Program** – To account for monies received and expended by the City to support for affordable housing.

**Recreation Fund** - To account for funds received from user fees, developer fees, and facility lease proceeds for the City's recreation programs.

**Library Fees Fund**- To account for the special sales tax surcharge fee collected and used for additional funding of the libraries.

**RTIF Fund** - To account for monies received and expended by the City under the Regional Transportation Impact Fee program.

**SLESF Fund** – Federal Special Law Enforcement Services Fund to assist local agencies in acquiring equipment, technology and police services.

**Auto Theft Fund** - To account for funds received from the San Joaquin County District Attorney's Office designated for the deterring and investigating of auto theft crimes.

**Gas Tax Funds**- To account for funds received from the State from gas taxes collected on a per gallon basis. These funds are used for street construction and street maintenance.



## COMBINING FINANCIAL STATEMENTS

### NON-MAJOR GOVERNMENTAL FUNDS

#### Special Revenue Funds

**Traffic Safety Fund** - To account for funds received from fines from Vehicle Code violations, to be used for traffic safety, but exclusive of compensation of traffic or other police officers.

**Traffic Congestion Fund** - To account for monies received and expended by the City to fund projects to minimize traffic congestion.

**Lighting and Landscaping District** - To account for the money received from the Sunrise Terrace Lighting and Landscape District, Belle Terra Estates, and Westwood Country Estates, for special residential maintenance projects.

**Transit Security Fund** - To account for money received and expended by the City under the California Transit Security Grant Program.

#### Capital Project Fund

**St John at BNSF Fund** - To account for money received and expended by the City for the Street improvements at St John Street.

#### Debt Services

**Civic/COMM Center** - To account for monies for the accumulation of resources for, and the payment of, general long-term debt principal and interest for the Civic Community Center construction project.

**CITY OF ESCALON  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

	<b>Special Revenue</b>			
	<b>Police Dept Fees Fund</b>	<b>Public Works Fee Fund</b>	<b>Park Fee Fund</b>	<b>Planning Fees Fund</b>
<b>Assets</b>				
Cash And Investments	23,053	82,352	83,739	11,735
Cash with Fiscal Agent	0	0	0	0
Accounts Receivable	70	243	1,488	35
Loans Receivable	0	0	0	0
Due From Other Funds	0	299,918	0	0
Total Assets	<u>23,123</u>	<u>382,513</u>	<u>85,227</u>	<u>11,770</u>
<b>Liabilities And Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	0	0	0	0
Compensated Absences	0	0	0	0
Other Liabilities	0	0	0	0
Loans Payable	0	0	( 1)	0
Due To Other Funds	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>( 1)</u>	<u>0</u>
<b>Fund Balances</b>				
Nonspendable	0	0	0	0
Restricted	23,123	0	0	0
Committed	0	382,513	85,228	11,770
Assigned	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	<u>23,123</u>	<u>382,513</u>	<u>85,228</u>	<u>11,770</u>
Total Liabilities And Fund Balances	<u>23,123</u>	<u>382,513</u>	<u>85,227</u>	<u>11,770</u>

**Special Revenue**

<b>CDBG Block Grants Fund</b>	<b>In-Lieu Low Income Housing Program</b>	<b>Recreation Fund</b>	<b>Library Fund</b>	<b>RTIF Fund</b>	<b>SLESF Fund</b>
0	38,644	159,241	63	253,069	126,562
0	0	0	0	0	0
0	115	467	0	750	642
0	0	0	0	0	0
0	799,781	0	0	0	0
<u>0</u>	<u>838,540</u>	<u>159,708</u>	<u>63</u>	<u>253,819</u>	<u>127,204</u>
0	0	0	0	0	26,022
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	162,213	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>162,213</u>	<u>0</u>	<u>26,022</u>
0	0	0	0	0	0
0	838,540	0	0	253,819	101,182
0	0	0	0	0	0
0	0	159,708	0	0	0
0	0	0	( 162,150)	0	0
<u>0</u>	<u>838,540</u>	<u>159,708</u>	<u>( 162,150)</u>	<u>253,819</u>	<u>101,182</u>
<u>0</u>	<u>838,540</u>	<u>159,708</u>	<u>63</u>	<u>253,819</u>	<u>127,204</u>

**CITY OF ESCALON  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

**Special Revenue**

	<b>Auto Theft Fund</b>	<b>Gas Tax Funds</b>	<b>Traffic Safety Fund</b>	<b>Traffic Congestion Fund</b>
<b>Assets</b>				
Cash And Investments	14,445	700,340	15,549	69,130
Cash with Fiscal Agent	0	0	0	0
Accounts Receivable	0	8,701	1,265	181
Loans Receivable	0	0	0	0
Due From Other Funds	0	0	0	0
Total Assets	<u>14,445</u>	<u>709,041</u>	<u>16,814</u>	<u>69,311</u>
<b>Liabilities And Fund Balances</b>				
<b>Liabilities</b>				
Accounts Payable	0	0	546	0
Compensated Absences	0	0	0	0
Other Liabilities	0	0	0	0
Loans Payable	0	0	0	0
Due To Other Funds	0	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>546</u>	<u>0</u>
<b>Fund Balances</b>				
Nonspendable	0	0	0	0
Restricted	14,445	709,041	16,268	69,311
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	<u>14,445</u>	<u>709,041</u>	<u>16,268</u>	<u>69,311</u>
Total Liabilities And Fund Balances	<u>14,445</u>	<u>709,041</u>	<u>16,814</u>	<u>69,311</u>

<b>Special Revenue</b>	<b>Capital Project</b>	<b>Debt Service</b>		
<b>Lighting Landscape District Fund</b>	<b>St John At BNSF Fund</b>	<b>Civic Center Debt Service</b>	<b>Total Non-Major Funds</b>	
			<b>2018</b>	<b>2017</b>
52,219	8,506	0	1,638,647	1,477,525
0	0	0	0	0
1,934	0	0	15,891	2,765
0	0	0	0	0
0	0	3,064,438	4,164,137	4,235,135
<u>54,153</u>	<u>8,506</u>	<u>3,064,438</u>	<u>5,818,675</u>	<u>5,715,425</u>
8,086	0	0	34,654	17,644
0	0	0	0	0
0	0	0	0	0
0	0	3,064,438	3,064,437	3,150,264
0	0	0	162,213	162,213
<u>8,086</u>	<u>0</u>	<u>3,064,438</u>	<u>3,261,304</u>	<u>3,330,121</u>
0	0	0	0	0
46,067	0	0	2,071,796	2,003,227
0	0	0	479,511	406,635
0	8,506	0	168,214	137,580
0	0	0	( 162,150)	( 162,138)
<u>46,067</u>	<u>8,506</u>	<u>0</u>	<u>2,557,371</u>	<u>2,385,304</u>
<u>54,153</u>	<u>8,506</u>	<u>3,064,438</u>	<u>5,818,675</u>	<u>5,715,425</u>

**CITY OF ESCALON  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018  
WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

**Special Revenue**

	<b>Police Dept Fees Fund</b>	<b>Public Works Fee Fund</b>	<b>Park Fee Fund</b>	<b>Planning Fees Fund</b>
<b>Revenues</b>				
Investment Earnings	218	4,676	479	92
Intergovernmental	0	0	0	0
Property Taxes	0	0	0	0
Other Taxes	0	0	0	0
Impact Fees	8,272	3,912	31,969	0
Licenses And Permits	0	0	0	0
Service Charges And Miscellaneous	0	0	43,856	0
<b>Total Revenues</b>	<b>8,490</b>	<b>8,588</b>	<b>76,304</b>	<b>92</b>
<b>Expenditures</b>				
General Government	0	0	0	0
Public Safety	0	0	0	0
Public Works	0	0	0	0
Community Development	0	0	0	0
Culture And Leisure	0	0	12,108	0
Debt Service				
Principal	0	0	0	0
Interest & Other Charges	0	0	0	0
Capital Outlay	19,429	0	0	0
<b>Total Expenditures</b>	<b>19,429</b>	<b>0</b>	<b>12,108</b>	<b>0</b>
Excess(Deficiency) Of Revenues Over Expenditures	( 10,939)	8,588	64,196	92
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change In Fund Balances</b>	<b>( 10,939)</b>	<b>8,588</b>	<b>64,196</b>	<b>92</b>
Fund Balance - Beginning	34,062	373,925	21,032	11,678
Fund Balance - Ending	23,123	382,513	85,228	11,770

**Special Revenue**

<b>CDBG Block Grants Fund</b>	<b>In-Lieu Low Income Housing Program</b>	<b>Recreation Fund</b>	<b>Library Fund</b>	<b>RTIF Fund</b>	<b>SLESF Fund</b>
0	11,087	1,130	0	1,949	1,543
74,381	0	0	0	0	152,422
0	0	0	0	0	0
0	0	0	0	0	0
0	0	26,704	500	11,961	0
0	0	0	0	0	0
0	0	2,800	0	0	0
<u>74,381</u>	<u>11,087</u>	<u>30,634</u>	<u>500</u>	<u>13,910</u>	<u>153,965</u>
0	0	0	0	0	0
0	0	0	0	0	42,552
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	48,497	0	63,485
<u>0</u>	<u>0</u>	<u>0</u>	<u>48,497</u>	<u>0</u>	<u>106,037</u>
<u>74,381</u>	<u>11,087</u>	<u>30,634</u>	<u>( 47,997)</u>	<u>13,910</u>	<u>47,928</u>
0	0	0	47,985	0	0
<u>( 74,381)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>( 60,000)</u>
<u>( 74,381)</u>	<u>0</u>	<u>0</u>	<u>47,985</u>	<u>0</u>	<u>( 60,000)</u>
0	11,087	30,634	( 12)	13,910	( 12,072)
<u>0</u>	<u>827,453</u>	<u>129,074</u>	<u>( 162,138)</u>	<u>239,909</u>	<u>113,254</u>
<u>0</u>	<u>838,540</u>	<u>159,708</u>	<u>( 162,150)</u>	<u>253,819</u>	<u>101,182</u>

**CITY OF ESCALON  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 WITH COMPARATIVE ACTUAL AMOUNTS FOR JUNE 30, 2017**

**Special Revenue**

	<b>Auto Theft Fund</b>	<b>Gas Tax Funds</b>	<b>Traffic Safety Fund</b>	<b>Traffic Congestion Fund</b>
<b>Revenues</b>				
Investment Earnings	0	5,978	0	477
Intergovernmental	0	181,248	19,649	8,191
Property Taxes	0	0	0	0
Other Taxes	0	0	0	0
Impact Fees	0	0	0	0
Licenses And Permits	0	0	0	0
Service Charges And Miscellaneous	0	0	0	0
Total Revenues	<u>0</u>	<u>187,226</u>	<u>19,649</u>	<u>8,668</u>
<b>Expenditures</b>				
General Government	0	0	0	0
Public Safety	0	0	0	0
Public Works	0	0	0	0
Community Development	0	0	0	0
Culture And Leisure	0	0	0	0
Debt Service				
Principal	0	0	0	0
Interest & Other Charges	0	0	0	0
Capital Outlay	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess(Deficiency) Of Revenues Over Expenditures	<u>0</u>	<u>187,226</u>	<u>19,649</u>	<u>8,668</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	( 135,000)	( 16,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>( 135,000)</u>	<u>( 16,000)</u>	<u>0</u>
Net Change In Fund Balances	0	52,226	3,649	8,668
Fund Balance - Beginning	<u>14,445</u>	<u>656,815</u>	<u>12,619</u>	<u>60,643</u>
Fund Balance - Ending	<u>14,445</u>	<u>709,041</u>	<u>16,268</u>	<u>69,311</u>



Special Revenue	Capital Project	Debt Service			
Lighting Landscape District Fund	St John At BNSF Fund	Civic Center Debt Service	Total Non-Major Funds		
			2018	2017	
274	0	0	27,903	13,859	
0	0	0	435,891	256,797	
0	0	0	0	0	
0	0	0	0	0	
0	0	0	83,318	65,646	
0	0	0	0	0	
76,372	0	0	123,028	113,899	
<u>76,646</u>	<u>0</u>	<u>0</u>	<u>670,140</u>	<u>450,201</u>	
0	0	0	0	0	
0	0	0	42,552	29,413	
0	0	0	0	0	
74,606	0	1,420	76,026	72,315	
0	0	0	12,108	13,553	
0	0	85,826	85,826	83,884	
0	0	77,950	77,950	79,889	
0	0	0	131,411	23,407	
<u>74,606</u>	<u>0</u>	<u>165,196</u>	<u>425,873</u>	<u>302,461</u>	
<u>2,040</u>	<u>0</u>	<u>( 165,196)</u>	<u>244,267</u>	<u>147,740</u>	
0	0	165,196	213,181	186,943	
<u>0</u>	<u>0</u>	<u>0</u>	<u>( 285,381)</u>	<u>( 166,263)</u>	
<u>0</u>	<u>0</u>	<u>165,196</u>	<u>( 72,200)</u>	<u>20,680</u>	
2,040	0	0	172,067	168,420	
<u>44,027</u>	<u>8,506</u>	<u>0</u>	<u>2,385,304</u>	<u>2,216,884</u>	
<u>46,067</u>	<u>8,506</u>	<u>0</u>	<u>2,557,371</u>	<u>2,385,304</u>	

# **OTHER REPORTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To The City Council  
City of Escalon  
State of California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Escalon, State of California, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Escalon, State of California's basic financial statements, and have issued our report thereon dated November 20, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Escalon, State of California's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Escalon, State of California's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Escalon, State of California's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Escalon, State of California's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Clendenin Bird & Company, PC*  
CLENDENIN BIRD & COMPANY, PC

Modesto, California  
November 20, 2018

**REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS  
BASED ON AN EXAMINATION OF GENERAL-PURPOSE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH THE  
CALIFORNIA TRANSPORTATION DEVELOPMENT ACT**

To The City Council  
City of Escalon  
State of California

We have audited the general-purpose financial statements of the City of Escalon, State of California for the year ended June 30, 2018, and have issued our report thereon dated November 20, 2018. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the California Administrative Code Section 6664 of the Transportation Development Act and the allocation instructions of the Stanislaus Area Association of Governments, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the City of Escalon is responsible for the City's compliance with laws and regulations. In connection with our audit referred to above, we selected and tested transactions and records to determine the City's compliance with laws and regulations, noncompliance with which could have a material effect on the general-purpose financial statements of the City.

In our opinion the City of Escalon Transportation Development Act funds were accounted for in conformance with the applicable laws, rules and regulations of the Transportation Development Act and the allocation instructions of the Stanislaus Council of Governments.

*Clendenin Bird & Company, PC*  
**CLENDENIN BIRD & COMPANY, PC**

Modesto, California  
November 20, 2018